Daily Report

Latin America

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Cuba

Further Reports on Brazzaville 4-Way Talks

Continuation 'Encouraging'

FL0809011088 Havana Television Service in Spanish 0000 GMT 8 Sep 88

[Text] Quadripartite negotiations among Angola, Cuba, South Africa, and the United States, the latter as mediator, resumed today at around 1630 local time, at the Palace of Congresses in Brazzaville, People's Republic of the Congo. The meeting is the continuation of the fifth round of talks aimed at finding a negotiated solution to the southwestern Africa situation. It has taken place in a very discreet atmosphere, just as the previous rounds of talks that began in London last May.

Today's meeting was preceded by intense activity on the part of each of the delegations, which met separately throughout the entire day. At the end of the session, sources close to the delegations said they had worked very hard.

The talks are to continue tomorrow at the Palace of Congresses. This is a very encouraging sign.

'Complete Silence' Maintained

FL0809114388 Havana Tele-Rebelde Network in Spanish 1100 GMT 8 Sep 88

[Text] The second and last day of the fifth round of talks on southwestern Africa will begin today in Brazzaville, capital of the People's Republic of the Congo.

Yesterday's session of the quadripartite talks ended without official comment from the participating delegates. It is known, however, that the problems under discussion are complex. It is customary for the participants to maintain complete silence on the topics discussed during the quadripartite conferences among Angola, Cuba, South Africa, and the United States.

Yesterday's meeting consisted primarily of bilateral contacts. All the representatives participated in these contacts, including the joint Angolan-Cuban delegation.

Angolan Security Minister Visits Isle of Youth

FL0709142488 Havana Tele-Rebelde Network in Spanish 1100 GMT 7 Sep 88

[Text] Colonel Kundi Paiama, member of the MPLA [Popular Movement for the Liberation of Angola]-Labor Party Political Bureau and state security minister for the People's Republic of Angola, has met with the more than 4,000 Angolan students being educated on the Isle of Youth. During the meeting the Angolan minister informed the students of the situation in Angola. Kundi Paiama was received earlier at the airport in Nueva Gerona by Miguel Alvarez, president of the Isle of Youth People's Government, and Colonel Argelio Perez Castillo, delegate of the Ministry of the Interior.

During his tour of the Isle of Youth, the African leader also visited the old Model Prison, now a national monument.

Havana PCC Committee Holds Special Plenum

FL0709183288 Havana Tele-Rebelde Network in Spanish 1700 GMT 7 Sep 88

[Text] The Havana City Provincial PCC Committee has made a call to everyone in the capital to achieve superior results in what remains of the year. The document was released at the organization's special plenum, during which an analysis was made of the economy's behavior in the first semester, which shows encouraging signs.

They also discussed the rectification process and the remaining tasks to declare the province ready for defense, first stage. At the call of the capital's party committee, emphasis is placed on the fulfillment of projects, in particular those relating to the construction materials industry.

A call is also made to increase voluntary work and adhere to conservation in all areas, including fuel and raw materials. Another vital aspect is the need to guarantee the participation of all military reservists and members of production and defense brigades in all activities.

The party in the capital calls all (?its) members and the population in general to actively get involved in the struggle against those things that are done incorrectly and things that affect and damage the revolution

Indiscipline, Economy Discussed

FL0709184088 Havana Radio Rebelde Network in Spanish 1700 GMT 7 Sep 88

[Text] The exemplary attitude that should be adopted by party members in the face of manifestations of indiscipline and antisocial conduct, as well as the economic results in Havana City Province, were the two main themes analyzed by the PCC Provincial Committee in a special plenum on 6 September. The plenum was chaired by Jorge Lezcano, first secretary of the PCC Provincial Committee and member of the PCC Central Committee.

Haiti

EEC Grants Aid; Increased Production Planned

FL0709194988 Port-au-Prince Radio Nationale in Creole 1300 GMT 6 Sep 88

[Text] According to information received in Port-au-Prince, the EEC has accorded aid to Haiti in the amount of $6.35 million. This comes under a system of compensation for deficits in exports for undeveloped countries that have not signed the third Lome accord. The aid is to be used to set up a program to promote coffee and cacao production in Haiti.

Justice Minister on Prisons, Courts Condition

FL0609170188 Port-au-Prince Radio Nationale in Creole 1300 GMT 5 Sep 88

[Excerpts] Last Friday, 2 September, Justice Minister Brigadier General Fritz Antoine visited Port-de-Paix. [passage omitted] The minister visited the courts, the office of the Department of the Public Prosecutor, the offices of the civil registrars, and the court records (?office). He also visited the prison.

In a speech, Mr (Calixte Nestor), representative of the Department of the Public Prosecutor in Port-de-Paix, highlighted the importance of the military government currently leading the country.

[Begin recording of (Nestor), speaking in French] This time we got a brigadier general. How should we interpret the presence of a military man at the Ministry of Justice, and what kind of an impact can this have on justice in Haiti? (?Because of) the juncture we found ourselves at, the sociopolitical commotion, the government fell into the hands of the Army a few months ago. Some think that the country has thus taken a turn for the worse, but others think it is a turn for the better because [words indistinct]

Certain people have alluded to the Pinochet government, but we who are familiar with history [words indistinct] the ashes of a past buried in the darkness of time, have noted that military governments very often launch countries on the road to progress. An eloquent example of this is our sister republic, the Dominican Republic. [end recording]

The justice minister then made a speech, saying:

[Begin recording of Antoine, speaking in French] As soon as I arrived at (Trois Rivieres), the main entrance to town, the idea of restoring dignity to the Haitian court system, which until then had seemed to me to be a real longshot, appears to be, little by little, becoming a vivid and tangible reality. Of course, you are confronting difficulties and constraints of which we are not unaware—difficulties and constraints of all kinds, which through a few efforts and a little good will will be progressively eliminated.

The distances and the deplorable condition of the roads are major obstacles to effective control of the behavior of the justices of the peace by the representative of the Department of the Public Prosecutor. Accustomed to ruling with a free hand, ignoring all orders from their superiors, most of the justices of the peace have come to commit abuses of authority against peasant families.

In Port-de-Paix, the prison, always overcrowded, empties itself, all by itself, through the repeated escapes of prisoners, always the most financially solvent.

There is an imperative need to create (?two) courts of conciliation in the area within the Lacoma-Beauvoir-Cabaret axis, for there are no courts in this particularly densely populated area, which is abandoned to itself. [end recording]

After listening to the problems of all the components of the Justice Department in Port-de-Paix, the minister of justice assured them that a solution to these problems would be found.

Also, (?two) prisoners were released during the tour. We hope that this tour will be fruitful for the Haitian court system.

Narcotics Official Cited on Cocaine Seizure

FL0609185288 Port-au-Prince Nationale in Creole 1300 GMT 5 Sep 88

[Excerpts] Captain (Ramus Saint Vil), who is the head of the narcotics bureau, and the team working with him last Saturday seized at the Port-au-Prince wharf 500 kg of cocaine worth some $15 million. The drugs were on a boat called "Deux Bons Amis Express," which belongs to a certain (Madsen). The boat sails from Port-au-Prince to Miami.

According to Capt (Saint Vil), this seizure is the result of a 2-month investigation by the Port-au-Prince narcotics bureau, in conjunction with the antidrug intelligence center of Haiti, where two DEA agents are working.The nine crew members, among them the boat's captain, (Delande Etienne), were arrested by the police so that an investigation can be conducted.

In 22 days, between 10 and 31 August, 700 kg of cocaine had already been seized. The police seized another 500 last Saturday, thereby bringing the total number of kilograms of cocaine seized to 1,200 in less than a month. We will listen to a brief interview with Capt (Ramus Saint Vil), who is head of the narcotics service, by (Rochnel Charles).

[Begin recording] [(Saint Vil)] [Passage omitted] This is a shipment of drugs that has been here for awhile. It was loaded on boats and taken off boats, and we kept tracking it. The boat had even left. It had a problem with the motor and returned, and as it was preparing to depart again, we seized the cocaine. [passage omitted] The boat used to sail to Jeremie, but it was recently sold, and the new owner has the boat sailing between Port-au-Prince and Miami.

[(Charles)] How many people are implicated in this affair?

[(Saint Vil)] Well, we don't know exactly how many people are involved in the trafficking of this cocaine. Given the amount in question, we are already assuming there are many people involved, because we have seized close to 500 kg of cocaine. In any case, those certainly implicated are the boat's owner—because the drugs couldn't have been put on the ship without his approval—and, to a lesser degree, the crew members, particularly the captain, who is responsible for everything that is aboard a boat under his command. [passage omitted] We tested the substance. It was a test for cocaine, and it was positive. [passage omitted] [end recording]

De la Madrid 1 Sep State of Nation Speech

PA0309235588 Mexico City Domestic Service in Spanish 1702 GMT 1 Sep 88

[State of the nation address by President Miguel de la Madrid at San Lazaro Legislative Palace in Mexico City—live]

[Text] Honorable Deputies, Mexicans: [Twenty-second interruption in which indistinct voice is heard, followed by Chamber of Deputies president requesting that the audience refrain from interrupting the president's speech] I appear before the representatives of the people for the sixth and last time to comply with the constitutional mandate of Article 69. This article requires the president to inform the nation on the state of the public administration.

The written report I am presenting today is accompanied by a complementary document and seven annexes that list activities carried out for specific programs.

This month, the secretaries of state and the head of the Federal District Department will inform Congress on the state of the offices they direct, as stipulated by Article 93 of the Constitution.

I have respectfully come before this solemn session of Congress aware of the fact that in appearing before the guests of the honorable Federal Judicial Branch and the governors of the state, we are promoting important cooperation among the various powers as well as federal unity. My appearance is also in compliance with my duty to inform the nation.

The 54th legislature now begins its session. The composition of this legislature—considering the number of deputies and the various parties that comprise it—makes it clear that the country has experienced a significant change. Please accept, as representatives of this change, which was freely decided upon by the citizens, my respectful wishes of good will.

Throughout its history, Mexico has shown the ability to amend its social life through legal means. As the legitimate representatives of the people, the country's progress along this path—which is more democratic and more open, and which is now characterized by greater balance between the Executive and Legislative Branches—is in your hands.

Over the past 6 years, Mexico has faced the greatest challenges of its contemporary history. The crisis we have experienced shook the very pillars of our social structure. Today we can proudly say that thanks to the will of the people and strength of our political institutions, we have overcome difficulties that would have overwhelmed other societies. We, as Mexicans, must congratulate ourselves because our viability as a nation has been reaffirmed. We moved ahead. We have done this while at the same time respecting freedoms and social peace. We have done so while adhering to the Constitution. Together we disproved predictions by persons who, ignorant of the strength of our people, were forecasting the collapse of our institutions. We have gained strength as a nation in our struggle with adversity.

In the 25 years following the end of World War II, the world experienced a period of continuous growth. That prosperity made us think that growth and stability constituted an unchangeable trend. Mexico took advantage of this situation. With great effort, development projects were promoted that led to significant breakthroughs in almost all areas of the nation's life; however, from the early 1960's, it became apparent that these achievements were very uneven. This situation caused serious distortions. In time, they became deep structural imbalances.

These imbalances eventually led to insufficient internal savings, unequal development of our production sector, inability to face external competition, differences in productivity, adoption of inadequate technologies, a chronic deficit in our trade balance and in our trade balance payments, an increasing government deficit, and a tendency to concentrate on regional development. This has been harshly shown in our society: A large concentration of income and riches, and the inability to satisfy the population's basic needs, which have increased with its quick growth.

In the early 1980's, our internal imbalances were worsened by a world economic crisis that was characterized by high interest rates, a drop in the price of raw materials, and the industrialized countries' protectionist measures and unbending attitude concerning the foreign debt. These imbalances in the international economic system worsened our country's structural imbalances, and harmed most of the developing nations' economies. Proof of this is that the 1982 gross national product of Latin America, as a whole, dropped for the first time in 43 years.

Given the world's instability and uncertainty, the country tried to cut itself off and ignore what was happening abroad. This attitude caused, in turn, greater imbalances and lost time, and every internal or external change became a critical problem. Thus, the worst economic crisis in our country's history began in 1982. The country had to face the asphyxiating burden of a foreign debt amounting to $91.552 billion without having the necessary resources, and with an increasingly strong dollar and capital drain. The public deficit rose to unprecedented levels and the result was uncontrolled inflation. We expected a series of bankruptcies that would have had extremely serious consequences for production and employment. To make things worse, there was an atmosphere of resentment and mistrust. The recriminations issued by various sectors almost led to a break in the basic agreements that prevail in our nation.

Given this situation, I pledged to act with decision and firmness, and to stop the country from disintegrating before our very own eyes. I decided to nip the problems in the bud. I offered to counter the crisis that prevailed in

Mexico, not to return to our previous situation, but to begin a new phase of our history. I sought to eradicate the causes by making the necessary qualitative changes. I also sought to advocate a change in behavior, emphasizing the importance and value of work, discipline, perseverance, and civic responsibility. In sum, I sought to make deep changes in our nation: an authentic national renewal. We had to give our society the necessary mechanisms to implement the national and international transformations that are currently taking place, thus preparing the groundwork for firm, durable, and more just growth.

The national renewal involved attaining a comprehensive democracy; increasing the citizens' representation and participation; establishing efficient and honest management of public resources; attaining a balanced budget and settling public debts; strengthening democratic plans; sponsoring the decentralization of our national life; attaining progress in our public sector's reorganization to strengthen the state's management within a mixed economy; reviewing our trade policy and industrial protectionism agreements to make Mexico's economy more competitive and limit the privileges derived from such an economy; attaining progress in the design and implementation of laws to achieve social justice; and perfecting systems for the administration and diligent management of justice.

National reorganization has been complex and thorough. It renewed the structure and operations of government organizations. It transformed, modernized, and purified principles, tasks, structures, and responsibilities in the social, political, legal, and economic fields. It has not been a rhetorical or strident change. We conducted an efficient renewal process.

The reorganization process has followed reasonable guidelines. It has taken into account the unpostponable need to carry out structural changes at all levels and the fact that economic transformations are effective only if they are accompanied by political transformations. Those are the two facets of the national reorganization process.

The actions and thoughts of this administration were guided by seven political theories. Those theories bring together the principles and values of the Mexican revolution; they are based on our Constitution; they respond to society's most urgent needs; and contain basic guidelines to face the nation's new challenges, which are: revolutionary nationalism, comprehensive democratization, moral renewal, equalitarianism, national decentralization, development, employment, and struggle against inflation. All these challenges, along with the need for democratic planning, were not mere political challenges, but authentic commitments and guidelines of my government.

Guided by those theories, we created the national development plan, we reasserted goals and set strategies, and tenaciously and firmly carried out changes and actions.

From the very beginning we established what we had to do and we persevered in those plans. There has been agreement between reasons and actions, between what was said and what was done.

The reorganization process is based on constitutional and legislative amendments, which adapted our legal and institutional order to the country's new reality.

My government regarded the reorganization process as a goal in itself and as a condition to face the crisis. That process involved the following political tasks: to renew social morality, to promote legal amendements to guarantee the imparting of justice; to democratize, decentralize, and reallocate duties among the various levels of government; to strengthen the division of government branches; to increase citizen participation; and to improve electoral procedures. This reorganization has been based on a de jure state, democracy, dialogue, consensus, and agreement.

Concerning politics, constitutional amendments tried to strengthen and develop democratic institutions and invigorate the essential elements of the national plan.

The federal pact has been strengthened and has promoted the development of state and municipal governments. With that in mind, we amended Article 115 of the Constitution. All the various state legislatures amended their constitutions to adapt to the new legal framework. The federal government relocated power, resources, and jurisdictions to take the decision-making process closer to the citizens, thus promoting community autonomy. We are achieving a democracy that is more extensive and more deeply rooted throughout the nation.

My government has defended legality and has promoted and guaranteed the full exercise of individual rights without restrictions. It has promoted freedom of speech, religion, assembly, of the press, movement, property, residence, and work. The exercise of the freedom of speech is unprecendented. The freedom of the press has been confirmed by the press itself.

In the area of administering, providing, and imparting justice and public security, wide-spread legal reform was promoted to include constitutional principles, laws, codes, and regulations in this field. This was done to speed up the process of imparting justice, to make it more prompt and expeditious, and to permit the citizen to defend himself from actions in which there have been excesses in authority. Nevertheless, we admit that important public security problems still persist and that they have been worsened by the economic situation and the intense urbanization process. We also admit police

investigation and protection and the judicial process and the imparting of justice are not yet as expeditious as we would wish and that situations of disloyalty and corruption still exist.

The federal judicial branch was strengthened with the reform that returns to the Supreme Court of Justice its original mission as final interpreter of the Constitution. The number of courts that monitor legal controls was increased. The judicial branch's independence from federal institutions was strengthened when the magistrates of the courts of justice were made unremovable.

Within the framework of national renewal, we promoted a new Title Four of the Constitution to make public administration a more speedy, efficient, and honest process as well as to prevent and punish irregular conduct on the part of government workers. This moral renewal has led to attitudes of efficiency and honesty in handling our nation's resources. In these 6 years, we have promoted self-control by the federal government and its institutions more as a preventive than a punitive measure. We have used the law when we have detected irregularities.

The state's supervision of the national development and consolidation of a system of democratic planning, with full respect for the economic freedoms and seeking balance among the public, social, and private sectors, is based on the amendments of Articles 25, 26, 27, and 28 of our Constitution.

The economic renewal strategy recognizes that without a structurally healthy and strengthened economy, there can be no effective social progress and sustained growth. We know we greatly need economic growth but as long as this growth does not have the appropriate conditions and characteristics, it will not promote the social development that will substantially improve the Mexicans' well-being. We already know about the harmful results of economic growth based on inflationary financing, the generating of employment with little productivity, and productive and commercial inefficiency.

The crisis has forced us to again seek productive growth, with stable prices and the expansion of social well-being. We must recover this growth within the context of a world that has vast communications and that is much more competitive. We must give younger generations the chance for more promising development.

The National Development Plan defined economic reorganization and structural change as its fundamental strategies. This necessarily forced the improvement and reorganization of the public sector, the reconversion of industry, the rationalization of trade protection, and the promotion of firm and lasting economic growth.

The situation offered no other alternative. The necessary maneuvering room did not exist to continue a policy of increasing and indiscriminate state interventionism, which sought to solve everything through public spending or excessive regulations. There were no funds to finance such a policy nor was it advisable to continue clogging the state apparatus and complicating the actions of private individuals.

That is why my government improved its financing system, and the fiscal reform reversed the downward trend in tax collection. For its part, the revenue policy of the parastate sector permitted increased savings in public enterprises and the rationalization of subsidies.

Public spending was a fundamental instrument in the plan's strategy by adjusting the plan's magnitude, structure, implementation, and direction to the needs of economic reorganization and structural change. The spending policy maintained the following invariable objectives: promoting social development; encouraging behavior in accordance with domestic demands; strengthening the capacity of production and distribution; and guaranteeing efficiency, honesty, control, and discipline in the implementation of the budget.

In the 6 years of my administration, public finances have improved considerably. As a result, there has been an unprecedented fiscal surplus, before the payment of interest [on the foreign debt].

The foreign debt has been one of the most pressing economic problems. It is a commitment that has stalled economic growth. Despite this, we chose a remedy of firm and strong negotiations. We rejected any commitment that might hurt our national sovereignty. We also rejected rhetorical and useless confrontations that in the long run would have worsened the situation and harmed the country's future credit. Had we continued on the path of confrontation, our exports would have been barred from foreign markets, the international public and private financial markets would have been closed to us, and we would have had difficulty in importing goods and services needed for the adequate functioning of our productive sector and to supplement our staple food items. In a climate of confrontation, the number of tourists who come to Mexico would not have risen from 3 to 6 million.

Mexico is at the vanguard of negotiations with international creditors. In recent years, we have insisted on the principle of coresponsiblity between debtors and creditors, and in adjusting the servicing of the foreign debt to the countries' true ability to pay. We have achieved a great deal in the negotiations, but it is not enough.

We have tried to make national renewal last by using permanent structural measures that reflect the country's new conditions for development. This way, we have advanced in the process of transforming and adapting public administration to the needs of development. With this in mind, we established a policy of rationalizing the structure of the federal government and of divesting ourselves of parastate companies that do not meet the

strategic criteria defined by the Constitution and the laws. Instead, we have promoted the strengthening and modernization of agencies that meet this criteria. We also implemented a far-reaching program of regulatory and administrative streamlining.

The intense process of streamlining trade protection is a fundamental part of economic renewal. It was impossible to continue to sustain production that cannot compete abroad. That is why we decided to foster greater efficiency in the nation's industries and to make their exports more competitive. We reinforced this process with measures dealing with financial, exchange, and fiscal policies.

Social development is one of the cornerstones of the comprehensive renewal strategy. The goal of social justice, felt by the people, was elevated to the level of a constitutional objective. New laws were promoted to ensure that social rights exist in the fields of health, housing, education, ecology, and salary protection. The motto of social policy has been to do more with less and to lessen the deterioration of the people's living standard caused by the crisis. In these 6 years, despite the noticeable reduction in public expenditures and the increase in demand due to population growth, we not only managed to continue offering basic social services but we expanded those services.

We have not achieved everything we proposed or promised. However, the nation is irrevocably heading in that direction. What we have done is due to strength, talent, ability to adapt, and the desire for the renewal of society. It has been a great honor for me to preside over the efforts of the great people of Mexico.

The crisis has taken a great social toll. I do not deny it. However, not to have acted, to have been led by inertia, and to have tried to keep growth artificially sustained would have been a reckless act resulting in worse consequences. The cost of doing this would have been, in the short term, higher inflation, greater unemployment, and unmanageable financial costs, as well as very serious social strife. In the medium term, it would have meant a great step backward in a world whose integration, whether we like it or not, is ever increasing. We needed to reaffirm principles, renew institutions, and, in sum, outline the path by which Mexico will efficiently join the 21st century as a fully viable sovereign nation.

The sacrifice these years of austerity entailed was not in vain. Today we have a different perspective. Our political and economic foundations have been renewed. Our institutions were strengthened. We halted the deterioration of our society and our economy. We established a more solid and firm basis for a new phase of sustained, efficient, and fairer growth. We conducted the national reorganization process within a climate of social peace. Mexicans have faith in the country's future, but we know that to forge a solid future we need continuous effort and disciplined work.

Many of the structural changes made during these years have already had specific results. Others will have future results. We have admitted that the cost of those changes has been very high for most Mexicans. On many occasions, Mexicans have been understandably desperate and have demanded immediate solutions to their problems. They have, however, understood with maturity that to achieve long-lasting welfare we need a thorough reorganization of the country. That is the goal of the national reorganization process.

There are no direct evolutions. Progress entails the overcoming of unavoidable obstacles. One must learn from the most adverse circumstances. During these years, Mexicans not only learned to live and survive in the crisis, but we also succeeded in changing our behavior. We recognized the need to be realistic and accepted the fact that only work and effort could help us overcome our problems. We must admit, however, that at the beginning we were not aware of the profundity of the crisis. Circumstances forced us to remain alert and improve our ability to respond. It was as if we were in the express lane of history. There was great agitation, but the nation made great progress as well.

Our political actions were designed to maintain constitutional order, protect individual rights and respect for the division of powers, and strengthen the federal and municipal systems. We called for national consultations to analyze the state of the political reforms, to review the way the Senate is comprised, and to promote greater participation by citizens in the government of the Federal District.

To provide Mexico with new capacities, we supported constitutional amendments that were the bases of the national reorganization process in the political sphere.

To strengthen the country's democracy, we needed to review the norms and procedures that regulate citizens' participation in the country's political life and the way the Senate is set up. As a result of the national consultation, we realized we had to strengthen the government's branches. Concerning the legislative branch, we decided to establish two regular sessions, to increase the number of members of the Senate Permanent Commission, and to change the electoral calendar. With the new regulations, half the Senate will be elected every 3 years. The composition of the Chamber of Deputies is more pluralistic and proportional. Beginning with the upcoming administration, the period between the federal elections and the change of command will be shortened and the date for the state-of-the-nation address will be changed.

The Mexican political system has a new Federal Electoral Code, which orderly and clearly regulates and controls all stages of the electoral process. That code establishes a system of guarantees and procedures to conduct open and trustworthy elections. The code confirms that the Federal Electoral Commission is responsible for organizing and conducting the elections with the

supervision and coresponsibility of the people and political parties. The code creates the Tribunal of Electoral Disputes [Tribunal de los Contenciosos Electoral] as the autonomous organization responsible for resolving electoral disputes. The Tribunal members are appointed by the Chamber of Deputies.

The July elections were an essential aspect of our political renewal. It was a historic electoral process.

[Unidentified person shouts: "The people will not accept the electoral fraud or its result." Applause follows. The Chamber of Deputies president calls for order. After more applause and shouts of "fraud" by the crowd, the Chamber president again calls for order and asks President de la Madrid to resume reading his address.]

It was a historic electoral process. It was held according to the Constitution and the electoral laws of the republic. It was orderly, peaceful, and closely watched. That was my commitment and that of all Mexicans. The electoral campaigns were competitive and polemical. [Unidentified speaker shouts: "Fraud"] Political pluralism was enriched by the campaigns and they brought about a recomposition of the forces and parties active in the elections. This important electoral renewal marks the beginning of a new and better phase in our political development. We have responded to the crisis with more freedom and more democracy. [1 and ½ minutes of applause, interspersed with shouts of "Fraud" and "Mexico, Mexico" after which the Chamber of Deputies president calls for calm]

The results of the elections are due to the work and responsibilty of all Mexicans and political parties. The people were responsible for and the best witnesses of the elections. [shouts of "fraud"] With the elections we have a new side of the multiparty system and we have a new proportion among the parties represented in the Chamber of Deputies. There are opposition senators. [indistinct shouts]

I urge authorities, parties, and citizens to consolidate what has been achieved and to continue improving our democracy within the framework of law and peace. The path to democracy is a process that is never complete. The recent elections must be viewed as one more step toward higher phases.

With the recent federal elections, the Assembly of Representatives of the Federal District was elected. It is comprised of 66 representatives, 40 of them elected through the principle of relative majority and 26 through proportional representation. This assembly will permit greater participation of the citizens in the administration of the affairs of the Federal District, including, among other things, those dealing with education, health, and basic public services. It will analyze the quarterly report on the implementation of the budgets and plans presented by the capital's administration. It will approve the appointment of judges of the Superior Court of Justice and it will be able to promote laws and decrees in the Congress of the Union when they deal with matters pertaining to the Federal District.

The legal framework of the inspection or support forces, which had assumed police functions without legally having a right to do so, was reformed. The National Program of Public Security was established to promote actions to modernize and professionalize the country's police and improve their morality. There is still much to be done in this area. The inertia of the past has caused serious resistance to change. We still have the lamentable situations of corruption and incompetency. The public security problem continues to be grave. Nevertheless, we must also acknowledge the praiseworthy work of the loyal and honest policemen who risk and lose their lives in defense of society.

A fundamental objective of the current administration has been to have the people participate in the benefits of economic and social development, bearing in mind the characteristics of their growth, structure, dynamics, and geographic distribution in both rural and urban areas. The National Population Program was established and its implementation was decentralized, installing state population councils in each state and, in some cases, municipal population councils. The annual population growth rate is now 1.9 percent. The trend toward a better territorial distribution of population growth has increased.

The establishment of the National Civil Protection System has been significant. Its origins date from the tragic experiences of the 1985 earthquakes. The three levels of government participate in the system with the help of all sectors of the population.

On my first day in office, I called for a national consultation to renew the administration and imparting of justice. Modern law on this topic emerged from it. The legal renewal included constitutional reforms, the replacement of several laws, and the promulgation of others where previously there had only been regulations.

The Attorney General's Office implemented the largest structural change of its recent history. Central administration was reduced and there were great strides in decentralization. In addition to its traditional duties, the Federal Attorney General's Office began new activities that mark new paths in the procurement of justice. These activities include legal guidance, the system of social participation, and visits, together with the Federal Judicial Police, to the community it serves to listen to complaints and suggestions.

Mexico continues fulfilling its duty in the struggle against drug trafficking. We must expect all others to fulfill theirs. We must act with greater energy regarding the causes of drug trafficking. However, it must be pointed out that our contribution is not sufficient if the demand in the major consumption centers and the illicit

activities this trafficking attracts, such as arms trafficking and corruption, are not combatted. Drug trafficking is a serious international problem. Therefore, to combat it an international effort is needed.

Drug trafficking is a matter of state and national security. To deal with it, legislation on this issue has been updated. In the fight against drug trafficking, the Mexican Army, the Air Force, the Navy, the Attorney General's Office, and the state governments are participating heroically. Many Mexicans have lost their lives in this constant struggle. This fact deserves recognition from all of us.

The Program on Care for Drug Dependency is a basic tool to prevent and eradicate drug addiction in this country. With the participation of society, especially parents and teachers, more than 12 committees and subcommittees were established. I convey my solidarity with and appreciation for those who have become engaged in this noble task for Mexico. I renew my appeal to social groups to combat the causes and consequences of drug addiction.

The Federal District's Attorney General's Office has conducted persevering efforts to improve the justice system, to professionalize and purge its cadres, and modernize its research laboratory and equipment. Efficient work has been rewarded, and cases of dishonesty have been punished. The charter of this office has been amended, making the Judicial Police subordinate to the Attorney General's Office.

The moral renewal of society has been a commitment and permanent standard of conduct of my government. I pledged to lead this great crusade by using the government as an example. The fundamental guide for the renewal has been the use of the law, which synthesizes the republic's social morality. We must point to the new Article 4 of the Constitution: the Law on the Responsibilities of Public Employees, and the new Law on Parastate Enterprises. The state governments amended their laws to adjust them to the current federal legal framework on this subject. As a result of the legal and administrative amendments, the government control and assessment system was designed. We have the legal means to handle the complaints, accusations, and problems of citizens; the proper functioning of parastate enterprises can be verified; public works and purchases are now subject to bids; permanent procedures for evaluating combined federal work projects has been established with the state governments; and the vast and complex task of administrative streamlining has been undertaken.

The policy of budget austerity has expedited the management of salaries and bonuses for public employees. Likewise, the assignment of positions has been improved. Special attention has been given to the priority sectors of health, education, the procurement and administration of justice, and national security, without increasing the overall number of positions.

The improvement of the system to administer public resources has been the outstanding objective of my government. We have a program for purchases by the public administration that rationalizes purchases and orients demands toward the domestic market. In turn, amendments to the Public Works Law permitted streamlining steps and procedures and reaching greater levels of productivity and efficiency. It has expedited the handling of public works construction. We are accepting bids for 70 percent of such public works projects.

We are aware that supervision and control in the handling of public resources is a permanent task. In this past year, we have particularly reinforced discipline and financial control. In addition to the 1987 audit of parastate agencies, I gave instructions for outside auditors to review financial statements for the first half of this year. This information will be of great use so the hand over of the administration will be orderly, clear, and legal. We are prepared to submit clear accounts to the nation. We shall leave a public administration that is more honest and efficient. My commitment was, and still is, to a clear and honest handling of the resources the people entrusted to us.

The Armed Forces have kept the commitments they made with the Mexican people. Through the guidelines established in the National Development Plan and the orders I issued at the start of my administration, as well as through the [Armed Forces] Joint Action Plan, the Army and Air Force have been modernized. This has been done by modernizing plans, readjusting territorial divisions and orders, creating and relocating units and installations, and developing new systems of communications and transport.

Thanks to the permanent presence of surface and air navy units in our seas and economic zone, last year the Mexican Navy watched over 72 percent of the strategic areas of our national waters, which represents a 41-percent increase compared to the areas watched by the Navy in 1982.

The military and naval industries increased their production and supply of materials, weapons, ammunition, uniforms, and land and air equipment, as well as surface and air-sea units, thus allowing us to reduce imports and foreign dependence.

We must emphasize the permanent and solidary activities conducted by the Armed Forces, because they contributed to civilian and social campaigns.

I want to stress the tenacious and firm struggle of the Mexican Armed Forces, Navy, and Air Force against drug trafficking. That struggle forced changes in the procedures and organization of those forces.

Risking their own lives, our soldiers and sailors have devoted their work to that struggle with a dedication never equaled by similar organizations in other countries that are also affected by those illegal activities.

The Armed Forces have repeatedly reiterated their unbreakable loyalty to the country's institutions. They have reiterated their respect for freedom and democracy and their exemplary patriotism. I expressly and personally recognize their exemplary work during the last few years. [lengthy applause]

When I began my presidential term, I committed myself to continue Mexico's foreign actions in accordance with a policy of principles based on the peoples right to self-determination, nonintervention, the peaceful solution of conflicts, legal equality of states, and foreign cooperation for development. Those principles became part of the Constitution through an amendment of Article 89.

We promoted a particularly close and fair relationship with Guatemala and Belize. On several occasions I met with the presidents of the two countries, we signed many cooperation, economic, technical, and cultural agreements, and we established interparliamentary commissions that help consolidate political communication and cooperation. The support we gave for the Guatemalan refugees in Mexico has been a constant concern of my government.

Very few countries have as much personal, goods, services, and political exchanges with the United States as Mexico does. I met with the U.S. President six times. We always insisted that we had to have a worthy, respectful, and cordial relationship between the two governments to obtain fair and mutual benefits.

We firmly rejected the use of pressures, unilateral measures, and the judgements and measures that did not agree with reality. At the end of these 6 years, our constructive attitude bore fruits. The difficult moments of lack of understanding have been overcome and we confirmed our willingness for understanding and cooperation.

My government has maintained a sustained effort of bilateral cooperation with countries all over the world regardless of their level of development and their political and economic structures. We made special efforts to tighten our relations with countries with which we have greater political affinity and with those countries that offer better cooperation opportunities. For that reason, I made official trips to 21 countries including America, Western Europe, and Asia.

In April 1988, the National Commission of the Pacific Basin was formed to have tighter and more efficient links with that part of the world, where most of the world's trade is done and where amazing scientific and technological developments are taking place.

Mexico's foreign policy has promoted new types of agreement, especially in Latin America. The Contadora Group was created in view of the seriousness of the Central American conflict. That group was reinforced by the Support Group to promote Central American peace, cooperation, and development through diplomatic negotiations. The Cartagena Consensus was created to deal with the foreign debt problem. Finally, the Mechanism for Permanent Consultation and Agreement was created to increase and promote Latin American communication and unity. The first meeting of eight Latin American presidents marked a new phase of regional unity. The consolidation of that mechanism will be verified at the second presidential meeting to be held in Punta del Este.

The goal of strengthening international security led us to promote, along with the chiefs of state of Argentina, Greece, India, Sweden, and Tanzania, the initiative of peace and disarmament. This work contributed to the holding of negotiations between the superpowers, which for the first time have agreed to eliminate a nuclear weapons system. This could begin the change toward a more extensive reduction, or even total elimination, of strategic weapons and to negotiations that will limit conventional weapons.

The new mechanisms of political coordination do not undermine the established international organizations. On the contrary, one of the objectives of these new mechanisms is to support international organizations with joint political initiatives and incentives. Only through the efficient fulfillment of their functions will it be possible to guarantee peaceful world coexistence and cooperation among states which in turn will lead to economic and social stability and progress for all.

That is why Mexico has continued to firmly support the United Nations and why it has made efforts, along with the other Latin American countries, to modernize the OAS. We are fervent supporters of international law and its institutions.

At the beginning of my administration, economic conditions were particularly unfavorable. Inflation was increasing, unemployment was rising, and economic activity was at a standstill. The economy was about to collapse. There was general distrust of the country's financial system. We had lost control of the foreign exchange markets.

Uncertainty, discouragement, speculation, and fear had paralyzed us. In these circumstances it was impossible to progress in solving the grave problems affecting us. On the basis of a realistic and calm analysis, we had to design a strategy that would point to the path to be followed. The urgent duty was to reestablish calm and order. That is why I decided on a plan aimed at controlling the most negative aspects of the crisis. The plan for immediate economic reorganization made possible the reestablishment of the minimum necessary conditions for the operation of the productive structure.

Through the establishment of clear and realistic guidelines in the handling of the economic policy, confidence in the country's economic opportunities was reestablished. The recovery of confidence and the consolidation of bank nationalization enabled financial institutions to again operate efficiently. The exchange markets again functioned with clear and stable rules. The greater confidence laid the groundwork for the solution of our problems.

The measures that were adopted were not easy. After putting an end to the illusion, shared by people at home and abroad, that oil would provide enough resources to overcome our shortcomings, we had to face and accept the fact that we had to live with an austerity that reflected our means, which had been reduced by foreign debt, a drop in oil prices, and the destructive effects of inflation.

The public sector set the example. From a primary deficit [deficit primario] in public finances, that is, from a situation in which expenses, excluding public debt service, were greater than government revenue by 7.3 percent of the GNP, we went to a primary surplus of 4.2 percent in 1983. During the 6 years of my administration, as opposed to previous years in which there had been a primary deficit every year, public finances have registered a primary surplus that in 1987 amounted to 4.7 percent of the GNP.

Two strategies were established under the National Development Plan: economic reorganization and structural change. That is, while adjustments were being made to the economy, measures would be taken simultaneously to reestablish, over a medium term, the growth of economic activity on more permanent and equitable foundations than in the past.

With this strategy, we were able to reduce inflation from an annual rate of 117 percent, in April 1983, to less than half that by June 1985. At the same time, we were able to attain a modest increase in economic activity, which went from negative rates of 0.6 and 4.2 percent in 1982 and 1983, to a positive growth rate of 3.5 and 2.5 percent in 1984 and 1985.

Inflation reappeared in the middle of 1985, and later became worse as a result of the earthquake in September of that year, and above all, because of the drop in the price of oil exports.

In 1986, the blow from abroad was a hard one. The loss of revenue from oil exports was equal to the loss of the nation's entire production of food for 1 year. In that same year, we did not receive net credits from abroad. By means of proper economic policies, which included additional fiscal adjustments, the realistic management of exchange rates, and a restrictive monetary and credit policy, we were able to effectively withstand the harsh economic blow delivered from abroad.

Despite the fact that the drop in revenue amounted to 7 percent of the GNP, the primary surplus in public finances was positive—1.6 percent of the GNP—and we were able to accumulate nearly $1 billion in foreign reserves in the Bank of Mexico.

However, it was not possible to keep inflation from reaching 105 percent, or to keep the GNP from decreasing by 4 percent. These results must be assessed in light of the blow from abroad. As a proportion of the gross domestic product, it had greater impact than the war reparations which plunged several European countries into the worst period of hyperinflation in history during the period between the two world wars.

By mid-1987, the national economy seemed to have overcome the worst part of the 1986 crisis. The economy had grown moderately, and we had again refinanced our foreign debt and received additional loans for recovery and growth. Our GNP increased during the 2d semester of 1987 about 3.4 percent over 1986. This increase occurred naturally; it was not forced by an artificially greater demand. In 1987, we reached one of the highest primary public finance surpluses in our history. Non-oil exports increased 24 percent over 1986. In 1986, these exports had increased 41 percent over 1985, and we accrued nearly $7 billion in international reserves. In addition, the financial situation of most enterprises improved substantially.

The majority of sectors shared this view of economic development. The outlook was promising. A substantial amount of capital returned to Mexico. This outlook, however, reversed at the end of the year. The problem arose because inflation had not been properly controlled. When price increases are high, the financial markets' evolution is marked by great uncertainty and the economy becomes very vulnerable to unfavorable events, although the economy generally remains healthy. The uncertainty caused by high inflation rates makes it easy for any unexpected event to trigger more inflation. The event that caused the conditions that prevailed late in 1987 was the collapse of the world's stock markets. In the Mexican stock market, the effect was magnified by the prevailing stock overappraisal. Speculation against the Mexican peso at exchange markets occurred despite the strength of the country's balance of payments and accrued international reserves.

Speculation quickly spread to the rest of the economy and caused inflation to skyrocket and it threatened to become uncontrolled hyperinflation. It was necessary to face this with determination. Because inflation had not been caused by excessive additional demands or by an imbalance of public finances—as happened early in 1983—but by the delayed effects of the foreign 1986 impact, inflation inertia, and prevailing speculation, the strategy adopted was based on slowing the speed of price and salary increases in agreement with the productive

sectors—workers, peasants, and businessmen. We then negotiated the Economic Solidarity Pact, which was signed on 15 December 1987.

Given the nature of inflation, our attempts to control it in an orthodox manner with traditional instruments, such as fiscal, monetary, and credit restrictions, would have resulted in an acute economic recession and limited success in lowering price increases. Therefore, the sectors that signed the pact agreed to establish a strategy based both on strengthening the macroeconomic conditions so a permanent inflation reduction could be achieved and agreed upon participation of the sectors to ensure success and lower the price stabilization cost.

Undeniable progress has been achieved through successive accords reached in February, March, May, and August. Monthly inflation was lowered to 2 percent in less than half the time expected. July inflation, according to the national consumers' price index, was only 1.7 percent—slightly more than one-tenth of January's 15.5-percent inflation. The basic basket price, which greatly affects the cost of living, has increased less than 1.5 percent monthly since May. This figure is not only the year's lowest but the lowest since June 1981.

This progress has occurred despite very adverse circumstances. The drought that hit the country during the year's 1st semester raised food prices. Various social groups were intially skeptical of the pact. The development of the international economy has been unfavorable. In particular, oil export prices have been low and interest rates and imported food prices have been high. Unlike other countries that have succeeded in eliminating inflation, the pact has not received any net outside financing. We cannot say we have reached final success. There is still much to do. The agreement will continue in force until the last day of my term. Therefore, the public sector will continue to strictly comply with its obligations. I can assert we are dealing with the situation with the strategy required by the circumstances. The pact signatories have thus far generally abided by the agreement.

In the past inflationary period, there were some who wanted to see spectacular decisions, as if decisions could solve problems on their own. Answers have to be complex, reflecting the heterogeneity of the situation, and they must be the result of a social consensus. It is necessary to join efforts patiently and tenaciously, so participation will not lead to confrontations that prevent us from solving problems. Consultation, which is one of the expressions of democratic participation, consists of making use of the talents and energy of everyone to solve problems. These are no longer times in which we can wait for the government to provide a magical solution to everything.

The Economic Solidarity Pact established clear and precise guidelines that allow social groups and citizens to know the possibilities and limits of their activities, while permitting the government to assume its role as director of the organization and participation of society. In the final analysis, consultation and dialogue represent a new type of agreement between the basic groups of society and the economy: A demonstration that our changes have already borne significant fruit.

In past decades, the national economy was very dynamic. However, despite the high rate of growth and the important progress made in the social area, there continued to be diverse forms of inequality and imbalance resulting from structural defects that became serious weaknesses.

In these conditions of structural weakness and as a result of the impact of the changes seen in the international sphere, the National Development Plan initiated a strategy of structural change to establish the bases of a firm, lasting, and more just growth. This strategy concentrated on five basic areas: improvement of public finances, reorganization of the public sector, industrial reconversion, better protection of trade, and decentralization of national life.

The in depth changes in public expenses and income policies have allowed public finances to improve considerably. Reduction of expenditures has been accompanied by improved allocations and by measures to ensure that funds are spent efficiently and honestly. Fiscal reform has allowed compensation for the negative effect of inflation on public income, and at the same time has stimulated productive investment through the reduction of tax rates. Public prices and tariffs have helped combat operational inefficiency and unjustified subsidies and have allowed the financial rehabilitation of parastate organizations. The adjustments made in public income and expenditure policies have allowed the eradication of the harmful effects the huge public deficits exert on the levels of demand and the increase in prices.

We are progressing in the process of modernization and adaptation of public administration to development needs. The administrative structure of the federal government has been streamlined by the separation of parastate organizations not in line with the criteria of priorities or the strategic guidelines of the Republic's Constitution and laws.

The process of industrial reconversion has been promoted by means of the productive modernization of traditional sectors and the incorporation of industrial groups and supervisory agencies, as well as the development of modern sectors and the creation of high technology industries. The need has been noted for financial rehabilitation; modification of the policies of subsidies, prices, and tariffs; and adjustment of the size of facilities and production lines of public enterprises. It should be noted that full achievement of industrial conversion will extend beyond the short term.

In the case of small and medium industries, the process of modernization implies linking them efficiently to large-scale industries, especially export industries. Several measures have been taken to promote microindustry, including a special law on the subject.

From the very beginning of this administration, the National Development Plan pointed out the intention to structurally change foreign trade and industrial protection policies. In a first phase, gradually and with the consent of the productive sector, import permits were replaced by customs tariffs, a more flexible and clear instrument for providing adequate protection for local industry. Beginning in April 1986, the tariff lifting program was implemented to standardize rates and promote the acquisition of imported inputs and finished products. This helps combat huge monopolies in the production and distribution of merchandise and the inflationary pressures they produce for the benefit of Mexican consumers.

The official export price system was also eliminated and replaced by a more efficient mechanism as protection against unfair international trade practices. The progress mentioned does not entail an uncontrolled opening of the domestic market because the present tariff structure is based on the degree of processing of goods and the industrial development policy.

Considering the fundamental role public expenditures play in the country's development, particularly in times of money shortage, the adequate and effective allotment of resources in accordance with social priorities is a pressing need. We have established a strict budget discipline.

Public expenditures cannot take the place of the efforts and investing commitments of businessmen, the efficiency and productivity of workers, the organization and production ability of our peasants, and the timeliness and quality of trade. Public expenditures are an economic policy instrument that, if used carefully, efficiently, and honestly, can help stabilize prices, develop basic structures, increase public services coverage, and more effectively distribute income. This approach required substantial changes in public expenditures, which made it possible to cope with imbalances, change long-established habits, and meet the priority social demands within the context of a great money shortage.

In 1987, the programmed public expenditures represented 20 percent of the GNP, 7 percentage points less than 1982. Progress has been achieved, however, in meeting social demands in priority fields, such as education, health, housing, and ecological protection.

Public enterprises are an important development factor. We cannot accept the existence of inefficient public enterprises that offer low-quality services, draws money away from priority fields, and represents a heavy fiscal burden that must be financed by the community. Quite the contrary is true. Public enterprises are a key factor in the development strategy and hence must contribute toward social well being.

One of the objectives during my term has been to consolidate public enterprises by removing them from activities in which their participation is neither strategic nor of priority importance. We have tried to make enterprises stronger and more efficient in those fields in which their contribution toward development is necessary. The state's direct action in the production of goods and services should not be asessed according to the number of public enterprises but by the extent these enterprises contribute toward national development. We now need more quality rather than quantity.

Of the 1,155 public enterprises existing early in 1983, 765 have been separated. The separation of many of them is still in progress, and 59 new enterprises have been created. So we presently have 449 public enterprises. These figures do not include 339 enterprises other than banks in which the nationalized credit institutions participate and which were offered for sale to individuals because they were unnecessary for their operations.

In addition, the efficiency of parastate enterprises has been increased. This has made it possible to lower federal government subsidies to public enterprises from 2.8 percent of the GNP in 1983 to less than 1.3 percent in 1988. With the policy adopted, public enterprises are in a better position to meet the society's growing demands and constitute firm support for the state's economic structure. The development financing policy has been a fundamental support of my administration's economic strategy. Several measures have been taken to encourage savings in the public, social, and private sectors; to finance expenditures; and foster productive investment.

The public sector income increased from 28.9 to 30.6 percent of the GNP between 1982 and 1985. Nevertheless, progress was hampered by adverse factors, such as the 1985 quakes, the sudden oil price drop, and greater inflation.

The 1987 fiscal reform sought to: break the vicious cycle of inflation that ate away at public revenues; promote structural changes, thus eliminating some elements that worked against productive investments, the capitalization of enterprises, and the previous tax system; reinstate an equitable tax system; and fight tax evasion. At the same time, decentralization, modernization, and fiscal simplification programs were adopted. As a result of this, collected revenues rose from 28.8 to 31.3 percent of GNP in 1987. As of 1982, businesses are no longer allowed to be anonymous.

The Economic Solidarity Pact included: an initial adjustment in public-sector prices and fees; the accumulation of Fiscal Incentive Certificates for establishing a basis

upon which income tax rates would be set; the revision of subsidies; an adjustment to individual tax rates to avoid excessive tax obligations as the result of inflation; and an adjustment for accumulated tax overpayments. To support the economic expansion, the additional tax on imports was eliminated, and the maximum tariff was reduced by 20 percent. To strengthen family budgets, the Value Added Tax (IVA) was reduced by 6 percent and eliminated entirely for medicines and processed foods.

The results are encouraging. During the first 6 months of 1988, income tax revenues increased by 11.9 percent in real terms compared to the same period in 1987. Tax collections from enterprises increased 29.8 percent in the same period. IVA revenues rose 4 percent as the result of incentives for various federal institutions to collect this tax.

Greater availability of financial resources is a condition for expanding production capacity and the infrastructure for generating jobs. Despite the grave problems that affected the country, total collected revenues increased from 31.6 percent of GNP in 1982 to 36 percent in 1987. Consequently, investors have been offered attractive yields. Increased revenues encouraged us to promote new legislation for the national banking system. A law was enacted regarding bank public services, and new statutes were approved for the Bank of Mexico and other development institutions. The securities market law was reformed, and new laws were approved for investment enterprises and for auxiliary credit organizations.

We have made progress in the restructuring of the banking system. The number of credit institutions was reduced from 60 to 18, and their organizational structures were improved. The severe financial problems that affected several institutions at the end of 1982 have been corrected. As a result, the multiple-banking system is today more modern and efficient. As for the development system, two banks and several funds and trusteeships were liquidated. Those that remained in operation established links to development banks that were doing business similar to their own. Prime rates were modified, financial subsidies were reduced by almost half, and their distribution was improved. Over the past few years, nonbanking financial institutions have experienced unprecedented development and have become a valuable component of the banking system.

The country has confronted the prevailing difficult conditions without going further into debt. From December 1982 to yesterday, the country's foreign debt increased by $9.252 billion. During the same period, the country's international reserves rose by $10.223 billion. [Indistinct shout from audience] You have no right to interpolate, Mr Deputy! As of yesterday, the Bank of Mexico's monetary reserves totaled $12.055 billion. Therefore, during this administration, the country's net debt position has declined by $971 million. This figure is obtained by substracting the the increased reserves from the increased debt. This is in contrast to the net debt figure between 1972 and 1982 of $76.00 billion.

We must point out that the net debt figure is influenced not only by the provision and amortization of credits and fluctuations in financial reserves but also by the value of assets and liabilities in currencies other than the dollar and by the discounts and releases from debt applied to some liabilities abroad. If these latter elements were excluded, we would have been able to more efficiently use our foreign credit resources, $7.113 billion of which we have not been able to use. There has also been a reduction in the country's peso-denominated debt. Between 1982 and 1987, the peso-denominated debt declined by over 15 percent in real terms. It is estimated that by the end of this year, it will drop by almost 25 percent in real terms.

The high cost of servicing the foreign debt constitutes a burden for the country's economic development. The foreign debt was acquired in past decades to finance production and necessary investments in hopes of accelerating economic growth; however, debt was also incurred to compensate for domestic and foreign monetary imbalances stemming from structural economic problems. The foreign debt renegotiation included both the public sector and the private sector debts. Based on the timetable in effect in 1982, over the period from 1982 - 1988, the public sector should have made amortization payments totaling $49.488 billion. Those payments were lowered to $27.540 billion. The surcharge applied to the Mexican foreign debt was lowered from 1 and ⅛ in 1982 to the present 13/16. This means... [Three-second interruption in which indistinct shouts are heard] This means an annual savings in interest of $300 million.

In March, the existing foreign debt was exchanged for new Mexican Government bonds. This refinancing operation totaled $3.665 billion at an average cost of 69.77 centavos to the dollar. In this way, we achieved a reduction in the foreign debt of $1.108 billion and a savings in interest of $1.537 billion over the next 20 years. Although the benefits of this operation are limited, it is fair to say that it was the first time in recent history that a debtor country directly received the benefits of the market discounting of its foreign debt.

The foreign debt problem has not been solved, but we have made undeniable progress. Through firm negotiations, we obtained better terms and conditions than other countries that resorted to confrontation. We are still dissatisfied with what we have achieved. We must continue insisting upon greater shared responsibility and understanding from our creditors in order to solve the problem they helped create.

In order to direct public policy and to promote the participation of all of sectors in the nation's affairs, the National System of Democratic Planning was established. The legal, administrative, and coordination support the system provided us has enabled us to undertake in a firm and decisive manner the national renewal

program. In times of crisis, flexible yet clear planning constitutes an instrument that permits us to set the course and avoid the confusion of immediate pressures.

The central axis of the government strategy was the 1983 - 1988 National Development Plan. As required by law, we annually submit a report to the honorable Congress on the achievements attained and the obstacles faced in its implementation. The Congress' comments have been incorporated in adapting and correcting the plan. As a result of extensive consultations with social and private sectors, 17 national programs related to specific sectors were established.

National planning has been based on increasing coordination between the federal agencies. In this way, the efforts of the three branches of government are made compatible and unidirectional. This administration has attempted to facilitate decentralization and regional development. We have sought a greater distribution of production facilities and enhanced social welfare.

Our democratic nature has been apparent in the planning and strengthening of social participation. This participation enabled the government to formulate the Economic Solidarity Pact [PSE] in December with the assistance of the working, peasant, and business sectors. The renewal of the PSE clearly indicates that we Mexicans can face adversity with solidarity. It also proves that interests can be reconciled and solutions can be found for the benefit of society through a frank and honest dialogue.

The economic crisis unquestionably hit the lower income groups the hardest. This administration's economic policy has sought to lessen the impact of the crisis by implementing measures to protect jobs and salaries.

The PSE's strategy against inflation has diminished the social costs of this battle in terms of its effects on economic activity and jobs. Had the program been solely based on the traditional use of recessionary, anti-inflation measures, we would have caused more of a contraction in the production and employment areas than we would have in the inflation area because of the economic conditions that prevailed in 1987.

The sectors that signed the pact agreed to follow a strategy that combined the necessary measures for fiscal, monetary, and credit austerity and agreed to adjust prices, which is the key to lower inflation levels. Thus, the austerity measures had a greater impact in terms of lowering inflation and a minor effect on reducing economic activity and the subsequent decline in employment.

Even though economic activities increased at a slower rate early this year, the trend was still positive for the year. The manufacturing production index for the first 6 months of this year was 3.5 percent higher than the same period in 1987.

In terms of employment, hiring by the manufacturing sector increased 0.9 percent between January and May, compared to the same period in 1987, although this figure has declined slightly in recent months. In general, a big drop in inflation was achieved at a very moderate cost—in terms of economic activity and employment—if compared to what might have happened if the inflation reduction had been achieved without a consensus.

Several measures were carried out during my administration to support employment. Regional programs allowed the creation of approximately 1 million jobs between 1983 and 1987. Since 1984, more than 160,000 scholarships have been granted to train unemployed persons, thanks to those programs. A workers' training project will be implemented between 1988 and 1991, partially financed by the World Bank, and will allow us to grant an additional 160,000 scholarships to unemployed persons and to train 75,000 people working in medium-sized and small enterprises. It is also appropriate to mention the National Employment Service, which currently operates in every department of the government with offices in 79 cities.

Unemployment levels in 1986 never surpassed the 1983 levels, despite the problems caused by the oil crisis. Unemployment levels are now substantially lower than those that prevailed at the beginning of this administration. This is the result of an annual 3.2 percent rise in the economically active age group, since the generation born in the last decade has now joined the work force. Women's participation in the labor market has also increased. The number of participants in the social security program rose 33 percent, which represents an increase of approximately 1,904,000.

Special efforts have been made to strengthen the government's mediation role, so that labor - management relations are developed equitably and in accordance with the legal guidelines for our labor sector. The success of this strategy is evidenced by the fact that, of 65,757 grievances recorded between January 1983 and August 1988, only 1.8 percent ended in a strike. In addition, the duration of the strikes and the loss of man hours were substantially reduced. Administrative procedures have been simplified and a more expeditious handling of trials has been achieved, thus reducing the backlog of cases.

Public funds have been earmarked to protect the purchasing power of the workers' salary. Food subsidies for the lower-income population continue and have become more selective. The duties of the National Fund for Development and Guarantee of Consumption by Workers have been increased and broadened.

My administration has encouraged increased participation in our national development by the social sector. We have sponsored reforms to our constitutional and legal framework that established the legal groundwork for and reasserted our country's role as a pioneer in the development, organization, and expansion of the economy's

social sector. The development of the social sector was achieved through financing and technical support for the establishment of agricultural, fishing, and manufacturing cooperatives; common land unions; rural associations; and labor enterprises. Special attention was given to the organization of agricultural and industrial units so that women could participate in the development activities. Assistance and advice was provided to improve the organization and administration of production and service enterprises. Two regional institutes were supported in Queretaro and Guerrilla for management development and for the preparation and implementation of projects in the social sector.

Mexico's history shows the high value we have always placed on education. Our people feel it is fundamental to achieve a more free, democratic, united, and productive society. That is why we proposed the education revolution to expand the coverage and improve the quality of the educational services at all levels.

To achieve this objective, we decided to promote better training of teachers. As a result, beginning with this school term, the first generation of preschool and primary school teachers with university degrees will take their place in the classrooms. We have also constantly revised and updated the study plans and programs of the various educational levels. A new phase in the qualitative development of Mexican education is now beginning.

The age-old backwardness in literacy was drastically reduced. The illiteracy rate dropped from 14.3 percent in 1982 to 6.1 percent in 1987. With the work programmed for this year, which will cover more than 800,000 adults, this rate will be reduced to a little over 5 percent. This almost fulfills the goal we set for ourselves at the start of my administration.

We continued the improvement and distribution of free text books, which guarantees uniformity and the obligatory nature of primary education. [sentence as heard] Approximately 500 million books have been distributed in these 6 years. Beginning this month, the first text books for secondary education will be available in all public libraries. In this 6-year term, school enrollment increased by 2 million students, 28,000 new schools were built, and nearly 200,000 teachers joined the system. The enrollment in kindergartens and in higher education has been noteworthy.

Preschool education has experienced a strong expansion. In the school term that is about to begin, the enrollment will be almost 2.7 million children, growing at an annual rate of 9.2 percent over the last 6 years. In primary school education, we continue meeting 100 percent of the demand. Having practically reached the end of the quantitative expansion of this service, the effort has concentrated on increasing its quality and in improving sectors such as the primary education for Indians and for adults. We now have books and teaching materials for 82 percent of the country's ethnic groups. The primary school coverage was expanded to 527,000 Indian children. In the primary school for adults, the enrollment increased from 653,000 to 733,000 in the 6-year period.

Secondary education virtually meets all of the demand in the urban areas, although it will have to be expanded in rural areas. Secondary school enrollment grew at an annual rate of 3.9 percent in the 1982 - 1987 period. The small rural towns are being covered through the educational television secondary school [telesecundaria].

Because of what has been achieved up to now, 11-year basic education is a possible reality in the near future.

Higher education has been promoted because—without neglecting the overall training of the student—it educates the professionals who are needed by our productive sector. The enrollment in higher education has grown at an annual rate of 3.4 percent this 6-year period, with a wider distribution among the fields of study than previously existed.

The decentralization of basic education is fundamental for the structural changes that are taking place. The first phase of this program has been completed. The state education councils will now have to carry out programs related to regionalization and operation of the decentralized services.

Culture is an essential part of the national development plan. The policy in this regard has been aimed at strengthening our national identity, enriching and preserving our cultural mosaic, and protecting our vast historic and artistic heritage. The achievements of this policy include the establishment of an extensive network of public libraries. In 1982 there were 351, and today there are 2,500. We have established libraries in all the state capitals and in the municipalities that have secondary schools. A federal law was instituted to regulate the operation of this network. In these 6 years, 86 new museums have been opened, most of them having a regional character.

At the beginning of my administration, I promised a program to strengthen our cultural identity in the border areas. The presence of this program is today a reality in both the northern and southern border areas.

The vast amount of published material, with more than 32 million books a year printed, the effort to carry out school art activities, the variety of educational and cultural programs in the electronic media, and the strengthening of the popular culture are testimony to the dynamic and fruitful cultural activity that my government has carried out with total respect for freedom.

The government gave priority to nutrition, promoting production, and the processing, marketing, and distribution of staples. The evolution of agricultural production has allowed us within the last 6 years to become self-sufficient in the production of wheat, rice, sugar, eggs,

and poultry products. The seafood industry registered significant growth. The progress made in these areas is reflected in the fact that CONASUPO [National Company for Basic Commodities] imported 73 percent less in staples between 1983 and 1988.

To secure an adequate supply of processed foods, the parastate industry increased production of milk, oils, vegetable oils, corn, flours, and sugar through the reorganization of enterprises, the elimination of subsidies, and increased production capacity.

Government oversight in these areas was increased, thus assuring the supply of main staples. We stored sufficient reserves, reduced and in some cases eliminated subsidies, reinstated and reorganized the accounting practices in Conasupo enterprises, and we decentralized and modernized the administration of public enterprises.

Over the past 6 years, we expanded the social assistance programs—among which the Health and Nutrition Program stands out—which benefit 1.7 million people in isolated rural areas. The DIF [System for Complete Family Development] distributed 996 million food ration items to more than 3 million people.

Health care was made a constitutional right. In accordance with this social guarantee, we prioritized the consolidation of the National Health System, which has allowed us to expand and improve its services.

Currently, 94 percent of the population has access to regular health services, and despite an increase of over 9 million Mexicans in the past 6 years, the number of citizens with no access to these services dropped from 14 to 5 million inhabitants. In addition, isolated rural communities—many of them Indian communities—are receiving health services in 97 percent of the towns with between 500 and 2,500 inhabitants.

The health of the people has registered an overall improvement, and the goals of the national health care plan have almost been achieved. Over the past 6 years, the overall mortality rate dropped from 5.7 to 4.5 deaths per 1,000 inhabitants, and the infant mortality rate dropped from 33 to 23 deaths per every 1,000 children born alive and duly registered. The life expectancy of Mexicans today is 69 years, an increase of 4.3 years over the last 6 years. Special attention was given to the public preventive health care programs. With the national vaccination plan against poliomyelitis, 90 percent of the population subject to this risk were inoculated. The elimination of this disease in Mexico could be possible by 1990. The number of malaria cases continues to decline, and an intensive vaccination program has reduced the number of measles cases. As for the prevention of aids, state and regional laboratories have been provided with specialized equipment, and the public has been widely informed in this regard. In addition, we have imposed a ban on operations that sell blood. We are working hard in the struggle against drug addiction through the National Council and the state councils.

We have decentralized health services, which are open to the public in 14 federal institutions. We have created state health services under direct supervision of the state government and with federal government support. Through the social assistance bill, the DIF was been entrusted with the responsibility of providing and coordinating health care assistance services under strict institutional guidelines. We also promoted decentralization in this area.

This made it possible to join efforts to provide assistance to the most unprotected groups by establishing state and municipal social assistance systems. To date, 29 federal organizations have issued social assistance laws. The DIF provides assistance to 26 million Mexicans, while in 1982 its coverage extended to only 4.5 million people. The DIF has given priority to its programs dealing with food for the hungry, social and family integration, rehabilitation, and promotion of community development.

To my wife Paloma, my most affectionate thanks for her dedication tasks in these areas as president of the DIF Foundation, as well as for her work at the head of the National Volunteers Foundation. That institution has done commendable work in the area of community development, reforestation, self-help construction, vaccination, and literacy programs.

During my administration, the Mexican Social Security Institute [IMSS] increased its coverage by increasing productivity. The number of people covered increased at an annual rate of 5 percent. Similarly, it continued to give medical assistance to people pensioned because of permanent or partial disability and to their beneficiaries. It paid the medical bills of low-income people who are not covered by social security and continued to give emergency medical services to the population as a whole.

New groups have been brought under social security coverage, primarily students at the senior-secondary and higher education levels. The IMSS is reconstructing the National Medical Center and has established nine new regional medical centers in order to decentralize specialized medical treatment.

The ISSSTE [Institute of Social Security and Services for Government Workers], through a process of legal, administrative, and financial renewal, has redirected its medical loans and services toward the areas of health, pensions, housing, the protection of wages [salario], and children. Consequently, the Institute now has 40 percent more beneficiaries than in 1982 and has established pension reserves that have allowed the minimum pension to be raised from 44 percent of the minimum wage in 1982 to 100 percent or a little more since 1985. Over the past 3 years, the health sector has received proportionally more resources than the Institute has in its entire

history. As for housing, some 97,000 workers have benefited in this 6-year period, which represents 40 percent of all the housing provided since the Institute was founded.

The accelerated growth of cities has obliged us to attribute great importance to an urban development policy. Expansion of the metropolitan areas of Mexico, Guadalajara, and Monterrey has been discouraged, while the middle-sized cities have been promoted and have grown at much faster rates than the large cities. This trend was reflected immediately in an increase in the demand for urban services, particularly in border cities and in ports.

In order to solve some of the most acute problems in Tiajuana, Ciudad Juarez, La Paz, Manzanillo, Coatzacoalcos-Minatitlan, Acapulco-Puerto Marques, Mazatlan, and the port of Lazaro Cardenas, integrated urban renewal and environmental protection projects have been initiated. A total of 16,280 hectares of territorial reserves have been built in 53 cities to ensure that urban growth will be orderly.

Priority has been given to expansion of water and sewage services to keep them from continuing to lag behind the growth of the population. These services were expanded in the middle-sized cities, in which 83 percent of the population have drinking water and 67 percent have sewage services. When my administration began, the national average was 66 percent of the population with potable water. Today it is 83 percent. Only 43 percent had sewage services 6 years ago, and today 67 percent do.

In Lagunera, a good-quality water system was completed to solve the problem of arsenic contamination [hidroarsenicismo], which posed a serious threat to the people's health.

We have supported the initiation of an express train [tren ligero] in Guadalajara and Monterrey.

The housing policy is a complementary factor in the income and welfare of families. For this reason, we promulgated the Federal Housing Law and corrected the financial problems that were harming the public institutions that operate in this area, primarily the Infonavit [Institute of the National Fund for Workers Housing]. In general, we increased financing of all low-income and public-housing programs.

When this administration ends, we will have built 1.5 million housing units, 30 percent more than all the housing built with public financing from 1925 to 1982. For the first time, we were able to meet the yearly housing needs generated by the demographic increase. There remains the challenge of wiping out the accumulated deficit, but at least it no longer increased.

In April, the National Rural Housing Fund was created with equal contributions from the federal government, credit sources, and the social sector to meet the needs of Mexican peasants, who had not previously had the benefit of specialized institutions in this sector.

In order to finance operations to convert rental units into owner-occupied units, we began the Own Your Home Program, which has benefited over 8,000 families. At the same time, we provided incentives for rental housing.

The public housing programs have promoted decentralization. Eighty-five percent of the resources assigned to those programs have been directed outside of the three large metropolitan areas.

With the appropriate constitutional amendments and the promulgation of the General Ecological Balance and Environmental Protection Law, we have provided guidelines for my administration's goal of confronting environmental problems. This law provides for coordination in the sector, establishes functions at the three levels of government, and provides options for citizens to participate in dealing with the causes and effects of the ecological problem.

Social concern over the deterioration of the environment and atmospheric conditions, which are particularly difficult in the Valley of Mexico, have required that we make in-depth diagnoses and dynamic decisions to correct the existing problems.

At the national level, we continued to implement 100 ecological projects identified as necessary. Prominent among these are the cleanup of the Lerma-Santiago, Balsas, Panuco, and San Juan basins, as well as the bays and ports of La Paz, Acapulco, Manzanillo, Huatulco, Progreso, Ciudad del Carmen, Veracruz, Tampico, and Mazatlan. Most of the middle-sized cities already have sanitary landfills, and some of them have dump sites for industrial wastes that require special treatment. Cleanup operations have been carried out in the border cities. We have signed several agreements to eliminate or reduce the pollution produced by industrial companies.

Ecological action implies improved handling of our natural resources. During this administration, protected natural preserves have almost tripled, from 1.5 million in 1982 to 5 million hectares in various parts of the country by the end of 1988. One of them, Sian-Ka'an, has been declared the ecological heritage of humanity.

We have completed the special programs that were created to repair the damage caused by the earthquakes of September 1985. Minor, complementary tasks deriving from this, which are still underway, are part of the regular programs of the corresponding agencies. Reconstruction has been a great challenge to Mexican creativity and fraternity.

To achieve our proposed goals, it was necessary to have the mobilization and firm support of society as a whole. Only this made it possible for many Mexicans to recover their homes, for us to have more and better hospital and communication infrastructure, and for schools to be safer and more functional.

A review of reconstruction activities indicates far more goals were reached than was anticipated, and these goals were achieved so quickly we received international recognition.

All Mexicans share in the merit of the great reconstruction effort. We are a people who know how to struggle and conquer together in the most varied circumstances. Again, I give thanks for the international cooperation we received when we were hit by the tragic earthquakes.

The contribution of our rural areas toward our country's economic and social development has been and still is essential. The implementation of the agrarian, production, and social welfare policies through the National Program for Integral Rural Development has laid the foundation for agricultural structure changes. The Rural Development Districts Law and a new forest law and bylaws were promulgated.

During my administration, the agricultural sector grew at an average annual rate of 1.5 percent, a figure higher than the economy in general. It has been estimated for 1988 that about 27 million tons of the 10 main products from 15 million hectares will be produced. As for the agricultural GNP, Mexico occupies the 13th place in the world.

My government has devoted special attention to improving the producers' standard of living. Fostering agricultural industry has helped create jobs and increase the income of rural producers and workers.

Impetus to production and agricultural productivity has been one of the oustanding achievements of my administration. We provided technical assistance for the cultivation of 14.2 million hectares in 1987, 4.9 million more than in 1983. We intend to improve this figure in 1988. Technical assistance for pest control was provided to increase productivity. We tripled our advisory services to the livestock subsector.

Through our financial policy for the agricultural and livestock sector, we have tried to increase our credit offers, mostly for loans, and grant preferential interest rates to low-income producers. The number of those who benefited from this policy increased by 663,000 between 1983 and 1987, while the cultivated area increased from 9.9 million to 11.1 million hectares. As a result, credit increased from 43 to 52 percent in relation to the cultivated area.

The agricultural and livestock sector has made a great exporting effort despite the deterioration of international trade terms. The agricultural, livestock, and forest balance evolved from a $512-million deficit in 1983—the highest in the recent past—to a surplus of nearly $1.161 billion in 1986. However, this surplus decreased to $434 million in 1987, mainly because of a drop in international cotton, coffee, and tomato prices. CONASUPO's food imports have decreased by a yearly average of 24 percent.

The hydraulic infrastructure policy gave priority to completing works in process for greater production. During this administration, 80 dams were built. Some of the most important are Las Trojes, Colima; Cerro de Oro, Oaxaca; Cupatitzio-Telcatepec, Michoacan; Elota-Piaxtla, Sinaloa; and the second stage of Pujal-Coy, San Luis Potosi. Between 1983 and 1987, 451,537 hectares were added to the area irrigated; 467,381 hectares planted with seasonal products were mechanized; and 218,164 hectares were put back into production. During 1988, 57,700 more hectares will be irrigated; 26,800 hectares will be mechanized; and 17,500 hectares will be put back into production. The total irrigated area in Mexico is the world's sixth largest. We were firmly determined to be just to the men who till the land and produce the food we all consume. Although we have not yet concluded a large-scale land distribution, my government published resolutions allocating 5,055,000 hectares. This report includes 399 resolutions dealing with 392,000 hectares. Slightly more than 8 million hectares have been given to 233,261 peasants.

To legalize landholding rights and based on Federal Agrarian Reform Law amendments that permitted accelerating procedures, we delivered 1,358,000 title deeds to peasants and 290,062 lien-free certificates [certificados de inafectabilidad] to small-scale owners. These figures are the highest ever.

We also issued a large number of documents certifying rights to tenant farmers and national-land workers [colonos y nacionaleros] and resolved many pending cases involving Indian groups. These achievements are the result of the rural official land registry program, which will be completely concluded at the end of my administration.

We promoted and encouraged basic organizational actions in 16,292 communities and communal land areas [ejidos] to consolidate and integrate into rural development units agrarian centers' internal structures.

With the joint effort of all sectors in the 6 years of my administration, about 7.8 million tons of fish was produced, which ranked our country 11th in the world. National fishing production grew in the last 5 years at an average yearly rate of 8 percent. Because of its social effect, there is special importance in the 9.3-percent

annual growth of fish-farming [acuicola], which has demonstrated great capacity to satisfy the nutritional needs of communities not completely incorporated into development.

We diversified the foreign sales of fishing products. Today we are marketing—in addition to shrimp, which continues to be the principal export product—kelp, sargassum, tuna, and other fish. During the present 6-year period, the export income of this sector is estimated at almost $3 billion.

The enactment of the new Federal Fishing Law in 1986 has renewed the legal system that guides and channels the development of this activity. Also, the new Federal Ocean Law provides an integrated legal system for the exploitation of the marine and submarine wealth that exists along our coasts. In this respect, the rights of the coastal states to establish an exclusive 200-mile economic zone is a basic achievement.

The industrial sector has managed to maintain its activity and simultaneously initiate an important process of qualitative transformation.

The initiation of programs to support industry prevented the generalized bankruptcy of companies and the massive loss of jobs, which appeared imminent at the end of 1982. Through a series of measures, we promoted the financial recovery of the country's principal private enterprises, and we managed to increase the number of industrial establishments by 10 percent and personnel employed in industry by 20 percent.

The coordination of the sectorial and macroeconomic policies selectively promoted private investment, which expanded its participation in total investment from 54 percent in 1982 to 67 percent in 1987, which to a certain extent compensated for the decrease in public investment.

The industrial reconversion has resulted in overall transformations to increase productivity, domestic and foreign competition, and the profit margin of the production of important sectors. We have emphasized the necessary efficiency in production and the reincorporation, innovation, and adaptation of new technologies.

Within that process, the car industry changed the trend observed in its trade balance. In 1981, it registered a $2.17-billion deficit while this year, it is expected to register a favorable balance of approximately $2 billion. After the oil industry, the car industry has become the second most important industry in Mexico that produces net foreign exchange. The assembly plants have been promoted, are an important source of employment, have flexible productive processes, and have contributed to regional development. Assembly plants presently use 14 percent of the labor force of the manufacturing sector, and its exports produce approximately $1.4 billion.

The gradual and planned substitution of import permits for customs duties facilitated trade transactions, because it simplified the protection structures. The Economic Solidarity Pact [PSE] accelerated the process of customs duties reduction. Currently, 96 percent of our imports do not have to have permits, and the applicable customs duties are between 0 and 20 percent.

The aforementioned advancements do not represent an indiscriminate opening, because the current customs duties structure is graded by the quality of the goods and the industrial development strategies. That process of trade liberation favored the purchase of imported supplies and finished goods, benefited the productive sector and consumers, fought inflation and monopolistic practices, and continued protecting the productive sectors requiring protection. Manufactured exports, which maintained an average 18-percent annual growth rate in the last 5 years, today represent 56 percent of our total exports, double the percentage registered in 1983. In May and June 1988, monthly exports of manufactured goods exceeded $1 billion for the first time in our country's history.

In addition, the manufacturing industry's self-financing increased from 26 percent in 1982 to 82 percent in the 1st 5 months of 1988. In contrast, oil exports, which represented 76 percent of all 1982 exports, now only represent 34 percent.

Export assistance has brought about radical changes in the production system. The $51-billion positive accrued balance in the 1983-1988 commercial balance is higher than the economy's accrued deficit for the past 30 years. This was made possible by an adequate trade policy and greater loans for exports. The National Foreign Trade Bank granted loans for $5.222 billion in 1982; $8.156 billion, or 56 percent more, will be earmarked for loans in 1988.

The manufacturing industry, which experienced a $10-billion commercial deficit in 1982, financed nearly all of its exports in 1987.

By joining GATT in 1986, Mexico received special treatment, according to which the priority nature of the agricultural sector was considered, the implementation of the national development plan was supported, and the country's full sovereignty over its natural resources, particularly energy, was confirmed. By becoming a full-fledged GATT member, Mexico had access to new multilateral commercial negotiation instruments that are now essential because of the renegotiation of international relations presently in progress and the protectionist attitudes of some countries.

The active and selective stimulus to foreign investment, strictly abiding by current regulations, was initiated by a general support policy and the determination of priority areas in which the participation of foreign investment was

necessary. The authorized foreign investment in 1983-1987 reached $10.295 billion. The $3.877-billion increase in 1987 was the most remarkable. Foreign investment represents only 9 percent of overall investment.

Worrisome signs in the energy sector have been observed since 1981. Domestic energy demand, which increased at very high rates, required large public investment. In addition, there were signs of considerable deterioration in the international hydrocarbons market. This threatened to make the country's large investments in the oil subsector less profitable.

The oil sales price policy was reviewed to correct the sector's financial imbalance and lower the uncontrolled subsidies that cause excessive energy consumption. In addition, the ratio of the energy sector investment to the total public investment was lowered. Nevertheless, domestic energy supply was ensured, and the current crude oil export potential was exploited to the maximum by maintaining production at 1.5 million barrels a day until 1985 and 1.35 million barrels a day to date. We reorganized Pemex's administration and finances and increased its efficiency and productivity with strict cost control.

In the refining area, it is important to mention the construction of the second stage of Tula and Salina Cruz and the expansion of the Poza Rica, Salamanca, and Madero refineries. In the basic petrochemical area, large-scale projects were initiated and concluded.

[deputy interrupts De la Madrid and is called to order by the Chamber president]

Most important are the plants at the La Cangrejera petrochemical complex, Nuevo Pemex, and Ciudad Pemex. We also gave special attention to the Independencia petrochemical center in San Martin Texmelucan. To consolidate the economy and dynamism of this strategic industry, the goverenment completed the first stage of the Morelos petrochemical complex and started the second stage, 75 percent of which has already been completed. With this investment, the production capacity of basic petrochemical products will be increased by 2.8 million tons a year. It is worthwhile mentioning that local technology was used in these projects.

The 1986 world oil crisis decreased international oil prices to below $10 per barrel. Consequently, income from oil exports was seriously affected. We have reduced our export volume since 1986 to protect prices on the international oil market. To properly assess the negative effect of oil prices, it would be sufficient to mention that the international oil price on 1 December 1982 was $28 per barrel, and the current price is about $12.50. We advanced in the efficient use of energy with encouraging results. We have reduced the amount of hydrocarbons used in the total production of primary energy. Our present proven hydrocarbons reserves are 69 billion barrels, a high level that ensures we have sufficient energy available and allows us to maintain our export level. It is the fourth highest reserve in the world.

As for fertilizers, during the present administration Fertimex increased production from 3.4 million tons in 1982 to an estimated 4.3 million in 1988—a 26.4-percent increase. More than half of the production is concentrated in the Lazaro Cardenas Industrial Unit, which was completed during this administration and which supplies the Isthmian area.

In the area of electricity, emphasis has been placed on diversifying primary sources of energy, intensifying the use of locally made spare parts and equipment, increasing productivity levels, and improving the sector's financial situation. From 1982 to date, the demand for electrical energy has increased at an average annual rate of 5.5 percent. To respond to this, plant capacity was increased 6,575 megawatts, to a total by the end of this year of almost 25,000 megawatts, 36 percent more than in 1982. In these 6 years, 3.8 million new users have been incorporated into the electrical system, 33 percent more than in 1982, bringing the total to 15 million account holders.

Among electrical generating facilities that have been completed in this administration are the Carlos Ramirez Ulloa plant in Guerrero and the Angel Albino Corzo plant in Penitas, Chiapas; the Manzanillo I, Manzanillo II, and San Luis Potosi thermoelectric plants; the conclusion of the coal-fired electric plant at Rio Escondido; and the Cerro Prieto II and III geothermal plants in Baja California, which are operating and are exporting energy to our northern neighbor.

The advances made in the diversification of energy sources should be noted. Of the increase noted in plant capacity, 49 percent comes from nonhydrocarbon sources. Over 15 electrical plants are presently under construction, with a combined capacity of almost 6,000 megawatts. During the 6-year period, the necessary investment was continued to begin generating electricity with nuclear energy.

In the mining sector, we faced a difficult foreign market, characterized by sluggish demand and low prices. Nevertheless, the sector met internal requirements, promoted the development of new regions, and generated productive jobs. An attempt has been made to center efforts on the production and transformation of strategic minerals such as iron, coal, sulphur and phosphorous. Mining provided the country with $6.2 billion in exports during the past 6 years. In mining and metal production, Mexico is 12th in the world. By product, it is first in the production of silver, second in fluorite and bismuth, and fourth in lead, zinc, and sulphur.

The public sector encouraged the entry of new capital to incorporate mining into the national industry. Through the Mining Development Commission and the Nonmetallic Mineral Trust, the medium and small mining industry has been greatly promoted.

In early 1988, we completed the reorganization of the Sidermex parastate iron and steel group, which now comprises 26 companies. Prominent because of their importance are the Altos Hornos de Mexico and the Lazaro Cardenas-Las Truchas Iron and Steel Co. We were forced to declare the Monterrey foundry bankrupt and close it because it was technically and economically unfeasible.

The first segment of the second phase of the Lazaro Cardenas-Las Truchas Iron and Steel Co. has advanced 98 percent. Thus it is ready for the first tests in producing sponge iron and large-size sheet metal, which are presently in great local and international demand.

During my administration, we continued to advance in the renovation of communications and transportation. The Morelos satellite system relieved congestion in the federal microwave network and expanded our capacity for transmitting telephone, television, radio, and other information signals, making it possible to communicate with hundreds of remote rural communities. Today we are using more than 75 percent of the Morelos I satellite and, with Morelos II in operation, we have guaranteed the country's internal communications up to the year 2000.

The number of telephones increased and service was modernized, despite having suffered in 1985 the world's worst telephone disaster in history. From 1983 to 1988, the number of telephones increased from 6 to 8.6 million. Four exchanges were installed for long-distance service, and we introduced new digital systems. The decentralized Mexican National Telegraph and Postal Services were created, thus achieving the modernization of these services. The costs they represented to the government were reduced and swifter operation was attained.

In the past 6 years, we built more than 25,000 km of highways, freeways, and rural roads; today we have a network of 235,000 km, which is 11.7 percent more than 1982. In 1983, there were only 200 km of highways of four or more lanes; today, there are more than 3,800 km. Noteworthy among these are the Guaymas-Hermosillo-Nogales, Guadalajara-Colima-Manzanillo, Merida-Progreso, and Chihuahua-Delicias highways. The large Antonio Dovali Jaime bridge in Coatzacoalcos and the Tampico bridge over the Panuco River were built.

During my administration, we promoted the regulation and development of federal transportation. The volume of cargo handled was 1.750 million tons. We promoted the construction of 3 cargo service terminals and 26 passenger terminals. Among the latter, we must mention those of Guadalajara and Puebla, which are renowned worldwide for their service.

The national railway system was modernized. A new organic law on the Mexican National Railroads was promulgated and its operation, image, and infrastructure were improved. The railway network was expanded by more than 400 km, and 2,400 km were repaired. We have modernized services on repaired or new routes, such as those of Mexico-Queretaro, Mexico-Veracruz, and Manzanillo-Guadalajara-Monterrey. Passenger service on the principal routes has increased notably.

Our national ports receive and ship 80 percent of the country's exports and imports. During this administration, two new ports—Altamira and Progreso—were integrated into the system. We modernized 13 others, including those of Mazatlan, Manzanillo, Guaymas, Lazaro Cardenas, and Coatzacoalcos. The national merchant fleet increased its ships from 26,700 to 34,450 and its capacity from 2 to 4 million tons.

Air transportation underwent substantial changes. From 1983 to date, six new airports of the national network became operational and eight more were repaired for trunk line service. The country currently has 59 airports and is ranked among the 10 leading airports [as heard] at the international level.

The national airline was reorganized because of its low levels of efficiency and the problems that gradually accumulated in its operational, administration, and financial situation. A system was designed with adequate aircraft to promote regional aviation, promote private investment, and release the federal government from onerous budget costs.

The difficult operating conditions of the Mexican Airlines enterprise caused it to go bankrupt. The respective union provided the temporary servicing of some routes. A new enterprise is in the process of replacing it and must operate on profitable and efficient bases. This will release the federal government from the large subsidies it gave to the former and will guarantee good service to the customers.

From the beginning of my administration, we determined the necessity of gradually reducing the subsidies and transfer of raw materials and semifinished products to the final consumers. To this end, the role of CONASUPO was redefined so it would dedicate itself to the tasks of regulation and not mass supply, thus increasing its operational and administrative efficiency. The private sector's participation in the commercialization process increased. It is now responsible for two-thirds of the national supply of basic grains. The subsidies via prices have been reduced in real terms. To support the families with lower incomes, a selective orientation of specific subsidies has been maintained. The subsidies were

increased for the program of distribution of rehydrated milk that benefits 1.9 million families—150 percent more than in 1983—and those destined for the system of coupons to obtain the subsidized tortillas, covering 7.5 million inhabitants in 16 federal organizations and in the metropolitan area of Mexico City.

The operation and development of the National Supply System has been a key factor in commercial modernization. The system's promotion efforts made possible the construction or modernization of 136 storage centers for agricultural and fishing products, fruits, and meat. The system currently operates in 27 states, has 9 storage centers, and benefits 46,000 producers, who cater to an estimated 30 million people.

The National Market Information Service was established, and its coverage was extended throughout the country to orient and report to rural producers and consumers about wholesale prices in force at the country's largest storage centers.

In compliance with Article 28 of the Constitution, the activities of the Federal Consumer's Prosecutorship and the National Consumers' Institute have been expanded and strengthened. The programs of the two agencies have proved very useful in the fulfillment of the PSE.

Between 1983 and 1988, tourism created jobs at the rate of 2.9 percent. About 30 million foreign tourists are expected, and they are expected to spend $12 billion; these figures are 30 and 45 higher, respectively, than during the 6 previous years. The accrued tourism balance was $7.7 billion, or 136 percent higher than the amount reached in the 6 previous years. The number of hotels increased 12 percent, and the room occupation index rose 4 points. The number of local tourists has remained at an average of about 33 million yearly. The effort of private investors resulted in the construction of nearly 30,000 new rooms. FONATUR [National Tourism Fund] financed the construction of 65 percent of these rooms and the refurbishing and restoring of 21,000 rooms. In addition, 14,000 more rooms will be built by substituting investment for public debt. There presently are 310,000 rooms available, which places Mexico eighth in the world despite the destruction and damage of nearly 16,000 rooms as the result of the 1985 quakes.

The infrastructure and urban tourism works concluded by FONATUR made it possible to complete the Cancun, La Paz, and Iztapa-Zihuatanejo tourism centers and help start the Los Cabos-Loreto and the Lopolo-Puerto Escondido corridors. The new tourism center at Bahias de Huatulco, which was begun in 1984, will operate with 1,420 rooms late in 1988.

We promulgated a new federal law on tourism and five regulations to regulate that activity. Tourist development was strengthened with new transportation and operation regulations, and over 50,000 workers were trained for tourist activities in over 100 cities. The progress made in the quality, diversity, and coverage of our tourist services is a result of better coordination by the tourist public administration and an agreement between the social and private sectors.

Technological and scientific development is essential for the national reorganization process and a condition for its future development. Therefore, we insisted on the consolidation of our institutions and the improvement of norms and the legal and planning frameworks. The approval of the law to coordinate and promote scientific and technological development is another important aspect.

To promote the formation of high-level human resources, CONACYT [National Council for Science and Technology], the Mexican Public Education Secretariat, and the Mexican universities strengthened their master programs by granting scholarships to the country's best universities and granting scholarships to foreign universities only as a complementary measure. The National Research System, which now has 3,987 scholarships, was created to promote elite research groups.

Special attention has been given to the selection of advanced technologies to support the balanced development of various sectors of our economy. Significant progress was made in the fields of biotechnology, computer sciences, and new materials fabrication, especially in the field concerning superconductors. To promote the participation of the productive sectors in the fields of technological development and research, CONACYT supported 119 shared-risk projects.

Foreign technical cooperation has been promoted to strengthen our productive capacity development programs.

We implemented the Mexico program as a mechanism of agreement among the government, private business, workers, peasant, and scientific research and technical development sectors. The goal of that program is to strengthen the country's scientific and technological institutions. That program handled 40 billion pesos worth of resources and it was organized as a civilian association.

Decentralization was something that society demanded. We incorporated this demand into our priority policies. We adapted our laws to support decentralization as an irreversible process. The amendments to constitutional Article 115 strengthened the independence of municipalities and systematized the states' abilities to organize their power structures and modernize their judicial system at a local level to conform to their constitutions.

To encourage industrial decentralization, various incentives and credits were created for businesses that agreed to be relocated in industrial development priority zones and the new businesses that were created in those zones.

Meanwhile, we banned new polluting or high-water-consuming industries in the Federal District. The government is promoting investment for the development of mid-size cities to provide them with basic infrastructure and public services. Similarly, we strengthened rural integration centers to provide the rural population with basic social services and to support their productive activities. We also supported more dynamic regions, including the northern border, the Gulf of Mexico coast, the northern and central areas, and the Pacific lowlands.

We established regional administration centers in Guadalajara and Monterrey to facilitate the operation of various federal programs. The decentralization of teachers' schools, basic education services, and local road boards in the 31 federal organizations was completed. Public health services were transfered to 14 states and are being gradually transferred in the remaining states.

As part of the decentralization process, 75 federal institutions were transfered to various state governments and 40 federal organizations and administrative units were relocated outside of Mexico City. In agreement with the state governments and the labor unions involved, 62,000 public employees, who freely agreed to the change, were transferred to the interior.

Cultural decentralization made it possible for us to extend the benefits and promotion of our national values to distant areas. We strengthened regional expansion of the National Radio and Television Institutes and supported the social communications systems in the various states.

A vigorous regional policy strengthened the objectives for decentralizing national life; this policy seeks to promote the reactivation of state economies, improve territorial balance, and support the population's social welfare throughout the country.

Adjustments in the various regional investment programs have been made through the Planning Committees for State Development [COPLADE] by creating the corresponding municipal committees and establishing regional COPLADE subcommittees. The Single Development Pact has become an effective instrument to plan public investment according to the priorities defined by the states and has made it possible to advance in the decentralization of public expenses by carrying out productive projects that are basically for social support and development according to regional programs and state development plans.

The most important actions conducted within the framework of regional programs were carried out in Mar de Cortes, the northern border, the desert areas, Mexico City's metropolitan area, and the central and southeastern regions.

Within the framework of my government's multicultural policy, we have worked hard to promote the development of Indian communities in all aspects of their economic, social, and cultural life. Special emphasis has been given to finding solutions for their problems related to property, improving educational and cultural services, expanding health services, and strengthening legal advice to defend their interests.

In 1986, the National Indigenous Institute's Consultative Council—made up of representatives from Indian communities—was created. Through its active participation, 11 ethnic-development committees have been established, which act independently of COPLADE.

Attending to Mexico City's most urgent needs has been one of our priorities. The administration and operation of its services is a formidable challenge. As the republic's capital city, it is a concern and responsibility for all Mexicans.

Progress was made in creating an urban transportation system that emphasizes mass transit. On that basis, by the end of the current administration the subway's operational network will have been expanded from 78.8 to 141 km. Route 100 now has a fleet of 7,200 buses, compared to 4,500 in 1982. The number of electric trolley lines has increased by more than 150 km, which is 58 percent more than what existed in 1982. A light-rail line was built between Tasquena and Huipulco, and it will soon be expanded to Xochimilco. With these actions, the city's public transportation system increased its daily transportation capacity from 7.7 million to more than 11 million people, or by 43 percent. Work began on a light subway train for the 13-km Calzada Zaragoza route.

Approximately 1,000 km of primary and secondary roads, as well as 10 access roads and bridges, were built. Of special importance were the construction of Northern Highway 1 and the completion of Southern Highway 10, the extension of La Reforma Boulevard toward Toluca, the Potrero turnoff, the Interior Circuit-University-Coyoacan bridge, the Picacho turnoff, and the Reforma-Chivatito-Ruben Dario overpass.

Prompt action was taken to prevent social and health problems due to the water and sewer problem. The Valley of Mexico's water system has become inadequate, which has made it necessary to use sources more than 100 km away. Through large investments, it was possible to increase the system's volume by four cubic meters per second. The peripheral aqueduct's southern branch was built, which will receive its water from the third phase of the Cutzamala system. The infrastructure for the drainage of sewage and rain water was expanded, particularly deep drainage, which was expanded from 86 to 93 km; semi-deep drainage systems were built in Iztapala and

Obrero Mundial. Several projects are underway for primary and secondary pipelines to guarantee residential water for the people. In addition, projects are underway to provide drainage service to the population in rugged areas.

Important efforts have been undertaken to safeguard the security of the residents of the capital in order to protect their lives and property. Better conditions now exist for a true police force and we are permanently seeking ways to moralize, professionalize, and modernize the public security forces. The Police Academy trained more than 20,000 policemen. Important groups of preventive police were recently decentralized under the authority of the precincts. Security posts were increased. With these actions, it will be possible to establish more effective vigilance systems that will help solve the capital's grave crime problems that have increased due to the economic situation and population growth. [Deputy shouts: "Mr President." The Chamber of Deputies president tells the deputy not to interrupt President de la Madrid and that she has no right to ask questions.]

During this administration, more than 381,284 properties in the Federal District were regulated [regularizaron]. This represents more than 57 million square meters.

The public norm in the use of urban land is the basic condition to directly deal with the problem of regulating landholding and to avoid expansion, which is increasingly more costly. In this way, we updated the general urban development program, which provides for the establishment of an ecological conservation area encompassing 57 percent of the Federal District.

The noticeable deterioration of the environment of the Valley of Mexico affects and concerns the various sectors of society. To deal with the pollution problem, among other measures, we have adopted new techniques for the final disposal of solid waste in five sanitary landfills in which 66 percent of the city's garbage is deposited. The quality of fuel for automobiles and thermoelectric plants was also improved. In what had been the Santa Cruz Meyehualco and Santa Fe garbage dumps, two recreational parks were built. This helped increase the city's green areas from 2.4 to 4.5 square meters per resident, despite the population increase. In this area it must be mentioned that actions were carried out to recover, conserve, and create green areas in more than 8 million square meters of parks, gardens, sports fields, ecological areas, and groves.

Among the most important are the North, South, East, and West Alamedas; Santa Cruz Meyehualco Alameda; and the green areas created after the 1985 earthquakes in lots whose buildings were damaged. These are the Solidarity, Jesus Reyes Heroles, Juan Rufo, and Ignacio Chavez Gardens.

More than 45 million trees and more than 45,000 hectares have been preserved as ecological reserves. In addition, reforestation campaigns were carried out in the Leones, Ajusco, Santa Catarina, and Guadalupe deserts, as well as in the Chapultecpec and Aragon forests and on the traditional Central Alameda and Santa Maria la Ribera.

The economy of families has been protected and the consumption level of the population has been improved with the modernization of the supply system and the implementation of actions to regulate markets. There are 304 public markets, 95 stores operated by the Federal District Department, and several dairies in low income neighborhoods.

Programs for construction and self-construction of housing have been promoted, taking advantage of various forms of participation, coordination, and dialogue with society. Thanks to this policy, the reconstruction of a little over 90,000 houses destroyed by the 1985 earthquakes was achieved, helping 450,000 residents, equivalent to the population of Mexicali.

The capacity of the health, social protection, education, cultural, and recreation services for all Federal District residents has also been increased.

Honorable National Congress, Mexicans, almost 6 years ago I swore to observe and enforce the Constitution and the laws of the republic, to fulfill with loyalty and patriotism the post of president of the republic, which the people entrusted to me on the first Sunday of July 1982, always looking after the nation's well-being and prosperity. This has been and will be, until the last minute of my mandate, the highest statement of the political, legal, moral, and historic commitment I made to Mexicans. [indistinct shouts; Chamber of Deputies president tells deputy he has no right to interrupt President de la Madrid and has secretary read regulations saying those who disrupt order will be removed and if disorder continues the president can suspend public sessions and continue them in secret. Amid shouts, the Chamber of Deputies president then asks De la Madrid to continue.]

I have governed to maintain and strengthen national independence, to protect and increase citizens' individual and collective freedoms, enrich the democratic system in political, economic, social, and cultural matters, and to foster fraternal and harmonious coexistence among all Mexicans. I have governed to preserve and strengthen the peace of the republic. I will do so until the end of my term. [indistinct shouts; Chamber of Deputies president reprimands legislators informing them that they have no right to hold a debate during the president's address; applause]

I took office during difficult times for Mexico. During my administration [indistinct shouts] we have faced serious problems and difficulties. Today, I can proudly

say we are not a defeated nation and that we have more sound foundations so we will never be defeated. There are better bases for the future, which will depend on our efforts.

We have endured situations that seemed unsurmountable to many. Some thought the country was coming apart before our very eyes. We acted decisively [indistinct shouts followed by 4-minute pause during which Senator Porifiro Munoz Ledo attempts to question De la Madrid and is reprimanded by the Chamber of Deputies president. Station announcer then states that Senator Munoz has left the room. Chamber of Deputies president asks De la Madrid to continue amid applause and chants of "Mexico! Mexico!" De la Madrid resumes speaking by repeating previous four paragraphs]

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I took office during difficult times for Mexico. During my administration we have faced serious problems and difficulties. Today, I can proudly say we are not a defeated nation, and that we have more sound foundations so we will never be overwhelmed. There are better bases for the future, which will depend on our efforts.

We have endured situations that seemed insurmountable to many. Some thought the country was coming apart before our very eyes. We acted decisively and strongly and advanced until we achieved victories that have ennobled us.

Faced with prolonging a fictitious situation or dealing with reality no matter how harsh it may have seemed, we chose the latter. I did not promise major quantitative progress for the immediate future. I did not promise a sudden improvement of our situation either. I said that in order to overcome the crisis we had to work with greater effort, produce with higher quality, and save more than ever before. With the effort and support from the people, we proposed to achieve structural changes that would deeply change the nation. That was our great challenge. The economic and international conditions of the country imposed great sacrifices on us. However, the basic needs of the people were met, and we established the basis to regain a viable and sustained development.

Our priority, defined since the first day of my administration, has been man. We have advanced in improving democracy. National renewal has been the major objective.

We have recognized the drop in wages as grave and worrisome, and unemployment and inflation as painful. However, we have understood that the only solution for the majority is linked to a realistic economic policy. For that reason, the permanent goal of all our efforts has been to reinforce the foundations of our economy to obtain solid growth without inflation. This would sustain a more just society.

I promised to speak the truth. I have told the people what can and cannot be done. I told them what we have achieved and in what I have failed. I have clearly and responsibly made my reports at all times.

I have governed for all Mexicans with realism and I have adhered to the principles of Mexican independence, reform, and revolution. Respect for and acceptance of the will of the people has been my guide. The rights of the people are the foundations and limits of my authority. We have attained important achievements in a climate of social peace, liberty, stability, and conciliation. We chose prudence. We never accepted risky or adventurous formulas that would result in greater political and social costs.

We have restored and strengthened trust in Mexico. We are a nation respected in the world. We have a foreign policy that is active and dignified, as a responsible and full member of the international community.

In the political field, we reflected social demands. New forces have emerged. A complex heterogeneity of interests has come into play. Regional factors and diverse sectors have had greater participation. Political pluralism is a living element of our system. We have updated laws to redistribute power through decentralization. The maneuvering room of political parties has grown wider. The free participation of citizens in the decisionmaking process has been promoted. Openings for expression and negotiation have been opened. This allows us to lead social actions and to guide them within the law in a climate of peace and cooperation.

Our country is an example of what can be achieved with a people who are united, hard-working, and have faith in themselves. Had these elements not existed, it would have been impossible to face problems and emerged with flying colors; proud and ready to continue striving for our Mexico.

Part of the spirit of change is to make adjustments and change when the facts demand. However, improving a country's living standards cannot be achieved with empty promises or longing for a past that will never return.

Disorder does not necessarily lead to a change that will benefit the people. Anarchy is a step backwards and a risk to national sovereignty. We shall never allow it. [applause]

The fulfillment of the law and its norms is a basic requirement for Mexicans to live in an atmosphere of justice and social peace. We have fought and we shall continue to struggle to preserve national unity.

At the beginning of my administration, I called on all Mexicans to undertake a vigorous, mutually binding, and creative national renewal process. Today it is necessary to recognize that with the decisive participation of all social sectors and of a large majority of the Mexican people, substantial progress has been made in the process of change that our country demands.

Recognizing the natural differences that exist in a pluralistic, participatory, and deeply democratic society, my government has fulfilled its responsibility of uniting, integrating, and coordinating efforts for the benefit of the people and for progressing toward higher levels of social and political organization. However, we are neither seeking nor intend to have the people's unanimous support. In a democracy, the responsibility to rule lies with the majority, which should respect the minorities. In this regard, the people's will has been clear and precise: We must iron out our differences by means of constitutional channels and we must make dialogue, coordination, and understanding our most important political tools. National interest is the limit of negotiation.

Pluralism is a vital sign of a democratic society. It shall never be the symptom of a divided nation. All Mexicans wish to have a stronger and more united community. Let us support the basic issues of the republic.

Our history shows us that we are capable of creating, changing, and adopting new practices, while preserving the institutional principles and the objectives that unite us. National renewal does not end with the reforms implemented in my administration; they are the starting point for the progressive gains that will allow us to solve our present problems better and that will help us face the challenges of the future with dignity. The Mexican people prefer modern and organized programs and not destructive attitudes. [applause]

I personally exercised presidential power according to our new reality. Since the beginning of my term, I rejected the pretense that only the president had power in the country and that the nation is created and destroyed in a single 6-year period.

While some people talked about the need to decrease the powers of the president, others expressed their nostalgia for a personalized and messianic leadership. I reject both. I do not believe in charismatic redemptions or in a power vacuum. I believe in institutional leadership and a democratic presidency. [applause]

The actions of one man, the president of the republic, do not decide the fate of Mexico.

The country's present and future are the result of authentic municipal, state, and regional leadership; of an efficient bureaucracy; and above all of the solidarity of each Mexican with his homeland. The president does not act in a void. He works in a living society, with an economy that reacts to government decisions, and with a press and public opinion that enjoys ample freedom of speech. I understood the presidential work as a task of guidance and not only as a task of arbitration. I tried to identify social trends through dispersed facts to channel them to benefit the community. I allowed demands, pressures, and criticism to flow more freely, because that was the only way to know what society wanted. Not even agitation scared us. Agitation is a sign of vitality in people who are undergoing a process of transformation. We will channel that agitation to consolidate the renewing process and avoid returning to futile quarrels.

In such a heterogeneous society as ours, I understood the Presidency as a duty in which the country's various social sectors could participate. For that reason, my political work consisted of finding guidelines for agreements, which had specific purposes. I tried to set up tasks for each group and each Mexican to strengthen our independence, preserve our freedom, and reinforce social justice.

I understood the Presidency as my great opportunity to serve the country, my country. I made tried to serve it with dignity, seriousness, and respect for the rights of all Mexicans. Without sacrificing principles, I avoided carrying out actions that would harm the country. I always tried to serve my people seriously, with total devotion and institutional responsiblity. I was only concerned about Mexico's immediate and future benefit.

To work for Mexico has been my greatest honor and my great passion and commitment. My deep love for the homeland is my permanent motivation.

As president, I deeply thank my compatriots' struggle, sacrifice, dignity, courage, and perserverance. The Mexican people have been my example at all times.

At the end of my administration, I will keep the warmth given by the people I love and admire. I will keep the memories of their support and of the happy and painful moments that destiny made us share. I will especially keep the encouragement that men, women, youths, and children gave me. Besides the moments of anguish and

bitterness, my experience has been passionate and enriching. It has been a privilege to serve my country during difficult times. [sustained applause]

I pay fervent homage to the Mexican people for their extraordinary attitude in the face of adversity and for their tenacious will to overcome obstacles. These days, these months, these years, these journeys will be remembered in Mexico as heroic times in which the Mexican people were the main heroes.

I affectionally thank my dear Paloma. [applause] She has been a firm supporter and a worthy companion during these unforgettable years. I also want to give recognition to my children's support and understanding, the comforting encouragement given by my mother, Alicia, and my sister's and her family's friendship and affection. [appause]

Thanks to those who work with me for their loyal and dedicated effort. I hope they will make an even greater effort in the next 90 days. [applause]

Mexicans, we have sufficient elements to guarantee our life as an independent nation. We have vast territory: the 13th in size in a world of 160 countries. The current population of 82 million will be approximately 100 million in the year 2000. We are well supplied with natural resources: sufficient energy, abundant mining resources, and large agricultural, forest, and fishing resources. Our country stands out for its extensive communications and transportation infrastructure.

Our geographic location is a positive factor for development. We are in a position of easy communication with the most industrialized areas of the world, North America and Europe, and we are part of the Pacific Basin, where there is a spectacular trend towards higher phases of progress. On the American continent, we are the Latin American border of the developed north and the mestizo Caribbean.

The extensive Mexican coasts provide us with communications with the world and valuable tourist attractions. The continental shelf and our territorial sea await rational exploitation.

We have people of enormous courage and strength. We are proud of our historic legacy and the great wealth and vitality of our pluralistic culture. We have constantly improved quality. Day to day, education, health, nutrition, and housing levels have increased, although we still have a long road to travel in our development toward a more egalitarian society.

We are a country of solid institutions with a great ability to adapt to change. We have a great democratic spirit, we practice and expand liberties, and we view justice as the great pending challenge. We know we are imperfect in some aspects but our desire to excel is unstoppable.

We Mexicans are people who are strong and heroic as well as imaginative and creative. A country of artists and experts in the world of imagination, we have also been able to be good farmers, miners, merchants, and now extraordinary skilled workers who have helped the country become the 10th largest industrial power in the world with an increasingly bigger and better trained modern management class. Our society is rich and diverse. The coming together of associations has been carried out through many ways: parties and political associations, some more mature than others; trade unions; peasant leagues and unions; popular organizations; business associations; youth organizations; art and science institutions; academies of artists and intellectuals; professional associations; and social action organizations. That is the plural and dynamic society that characterizes our times. That is our biggest resource.

With institutional and loyal Armed Forces and a trained and professional civil service, the Mexican state exists to politically organize the nation, to protect and strengthen its sovereignty, to guarantee freedom and provide social justice, and to manage public services and national assets. The Mexican state is at the service of a society of free men who want to live in peace and freedom and with justice. We will never again tolerate dictatorship or ever accept a totalitarian power. [applause]

Therefore, we have the elements and the will to continue being an independent, sovereign, free, and just nation. Let us build a great nation with these foundations. Mexico is great and great is its destiny.

Mexicans, a great country is built with persistent effort, the convergence of wills, with drive, imagination, and talent. We are about to close one more chapter in history. As our forefathers did, we too have written our desire for nationalism, democracy, and justice. Let us make unity a present reality and a shared destiny. Let us continue basing our national plans on appreciation of what is ours, on the pride of being Mexican, and on love for the fatherland.

For almost 6 years, we have worked hard and struggled against external and internal adversities. We have overcome them. Let us continue building a better Mexico. Let us continue struggling together to create a certain destiny of freedom, peace, justice, and democracy for our children and grandchildren.

I ask all my compatriots: Let us strengthen freedom, let us protect democracy, let us be tolerant, even in the face of the insults of our political adversaries. [applause]

Mexicans, Mexico's destiny cannot be placed in doubt. Nothing has made us yield and nothing can defeat us. Mexico is bigger than its problems! Viva Mexico! [audience shouts: "Viva!"; applause]

'Verbal Attacks' During President's Speech Scored

FL0209184388 Mexico City NOTIMEX in Spanish 0505 GMT 2 Sep 88

[Text] Mexico City, 1 Sep (NOTIMEX)—The verbal attacks of some opposition members during the reading of the sixth government report have been unanimously condemned by outstanding politicians who went to greet President Miguel de la Madrid Hurtado and were interviewed at the National Palace.

Coahuila Governor Eliseo Mendoza Berrueto discounted those who interrupted the chief executive but noted that the majority of the legislators, including most of the members of the opposition, respected the Presidency. This means there is national strength and institutions are respected, he added.

Veteran politician Carlos Hank Gonzalez said members of the opposition showed that they are disrespectful people inasmuch as foolish behavior cannot in any way be a response to lack of negotiations.

PRI Secretary General Manuel Camacho Solis said the behavior of some opposition elements at the Chamber of Deputies today in no way places the stability of the country at risk.

The opposition's action at the Chamber of Deputies does not have any consequences. In any case, their rudeness will turn against them because the Mexican people do not approve in any way the lack of seriousness of legislators who behave irresponsibly, said Alfonso G. Calderon, leader of the CTM [Confederation of Mexican Workers].

Former Tlaxcala Governor Tulio Hernandez referred to Porfirio Munoz Ledo in derogatory terms and said he was pleased because fortunately Munos Ledo is no longer a member of the PRI.

Jorge Sanchez Garcia, president of the Labor Congress, referred to the opposition legislators involved in today's incidents as immature people and, at the same time, disapproved of their behavior when they interrupted the presidential address several times. He said opposition legislators misunderstood their work as legislators because to debate is one thing and to insult is something entirely different.

For his part, Augusto Gomez Villanueva rejected the tactic used by the left-wing opposition by disrupting the president when he read the sixth government report.

Jacobo Zaidenweber, president of the U.S.-Mexico Chamber of Commerce, praised the presidential report and noted that the country has made substantial progress in the democratic process. He said the opposition changed its legislative task to a guerrilla one but, of course, it chose the wrong scenario.

Vicente Bortoni, president of the National Confederation of Industrial Chambers, asserted that the country's private sector is proud of President de la Madrid Hurtado and at the same time repudiates the verbal violence of the so-called opposition.

Another person interviewed, Mario Moya Palencia, Mexican ambassador to the United Nations, noted that the existence of multiple parties is a result of the Mexican revolution. He added that the world knows about the strength of our institutions; thus, it has confidence in Mexico.

Opposition Deputies Resign To Join PRI

FL0609175788 Mexico City NOTIMEX in Spanish 1423 GMT 6 Sep 88

[Text] Mexico City, 6 Sep (NOTIMEX)—Raul Plascencia Arellano and Virgilio Escamilla Ballesteros, deputies of the opposition National Democratic Front (FDN) and the leftist opposition Mexican Socialist Party (PMS), respectively, have asked to join the ruling PRI, after resigning from their former parties.

The ex-members of the FDN and the PMS stated that the false accusations formulated by the opposition parties—in the sense that a generalized fraud had been committed in the elections on 6 July—forced them to make the decision to resign from their respective parties.

In a release, each Mexican legislator expressed his decision to resign from his political party and at the same time declared his wishes to join the PRI.

Plascencia Arellano said that in his opinion, presidential candidate Carlos Salinas de Gortari (the PRI candidate) obtained the majority of the votes.

In turn, Virgilio Escamilla Ballesteros noted in his resignation that the statements recorded during the state of the union session last 1 September show that what had been a deep and escalating social and political struggle has been put off by personal resentments and the desire to be the center of attention.

El Salvador

Army Denies Training of Panamanian 'Mercenaries'

PA0809014688 Panama City ACAN in Spanish 0048 GMT 8 Sep 88

[Text] San Salvador, 7 Sep (ACAN-EFE)—The Salvadoran Army "categorically" denied today that Panamanian "mercenaries" are undergoing training in that country to invade Panama.

Military spokesmen stressed to ACAN-EFE that it is "categorically and completely false" that irregular forces from Panama are training in El Salvador, "because we do not have enough mountains, there are problems in the mountains we have, and we can barely train our own troops."

Panama's progovernment MATUTINO newspaper reported from Panama today, citing the CNN television network, that Lieutenant Colonel Eduardo Herrera, discharged from the Panama Defense Forces 5 months ago, "is in El Salvador preparing an armed invasion."

The Salvadoran Armed Forces spokesman said that Herrera "is not in El Salvador."

The Salvadoran military spokesman insisted: "We do not have any knowledge regarding the reported training of mercenaries. There are no military training areas in Honduras [as received] except for those of our military units, and we barely have sufficient training areas in which to train our own troops."

He added that "nothing has been detected so far" and that "if we had reports on this matter, the facts would be reported."

Meanwhile, the U.S. Embassy in El Salvador, which was mentioned in the report on the alleged training of "Panamanian mercenaries," did not comment on the matter and said that it was investigating the CNN report.

Honduras

Minister Ortiz on Arrival of Contras in Country

PA0809011988 Buenos Aires REUTER in Spanish 0006 GMT 8 Sep 88

[Text] Tegucigalpa, 7 Sep (REUTER)—Honduran Government Minister Enrique Ortez today said that approximately 12,000 Nicaraguan rebels are currently in camps in Honduras and added that many more could enter the country within the next few days.

The majority of the Nicaraguan rebel forces have immigrated to Los Yamales Valley, in eastern Honduras, where they receive humanitarian assistance from the United States.

Ortez told reporters that there are between 11,000 and 12,000 anti-Sandinist rebels in Honduras. He added that "there is even a large number of contras inside Nicaraguan territory who could enter Honduras within the next few days."

He noted that the contras must be restricted in the same region so that they can be easily controlled. He said: "They cannot be allowed to spread out and to further aggravate the problem we have."

According to the contras, 65 percent of what they refer to as a rebel army of 17,000 men has emigrated to Honduras since the U.S. Congress suspended military aid in February. It could [words indistinct] 2 weeks there were 7,000 contras in Honduras and stated that the rebel forces are much smaller than the contras' estimate.

Ortez said that between 250 and 300 refugees are arriving at UN camps in Honduras every day. They are fleeing conflicts in Nicaragua, El Salvador, and Guatemala.

Approximately 36,000 refugees live in camps run by the United Nations; however, according to Honduran authorities, there are up to 400,000 refugees in the country, whether in camps or illegally living in other areas.

President Jose Azcona Hoyo has said that if the United States does not renew the military assistance to the contras, they will have to leave Honduras, whether to continue the struggle to oust the Sandinist government or to be relocated elsewhere.

Nicaragua

Ramirez Letter to Obando y Bravo on Contra Talks

PA0809040988 Managua Domestic Service in Spanish 2330 GMT 7 Sep 88

[Letter from Sergio Ramirez Mercado, vice president and vice chairman of the National Reconciliation Commission, to Cardinal Miguel Obando y Bravo, chairman of the National Reconciliation Commission—date not given]

[Text] At the last National Reconciliation Commission meeting at the archbishopric on 16 August 1988, the delegate and alternate delegate of the political parties represented within the commission, Mauricio Diaz and Erick Ramirez, received the mandate to initiate efforts to attain the release of the hundreds of men and women who are being held hostage by the counterrevolutionary forces.

This effort, in accordance with the proposal you submitted to the commission, should include the release of Sandinist Air Force pilot Helmudt Heller and all the others on the government's list of kidnap victims.

The delegates were never told to focus their efforts on the case of the 66 hostages the counterrevolution has always claimed as the only ones they are holding.

Your Eminence will also recall that the delegates' efforts, in accordance with the commission's resolution, were to begin in Honduras where the kidnap victims are being held, and Diaz and Ramirez were to receive a mandate to approach the Honduran Government, the Honduran National Reconciliation Commission, and counterrevolutionary leaders in that country.

On Monday, 22 August 1988, I met in my office with Diaz and Ramirez, who expressed an urgent need to travel to Miami on the following day, where they had already scheduled a meeting with the contra leadership. They requested funds for plane fares and travel expenses. After talking with them, we made the following decision:

A. They would not travel without the government's list of kidnap victims.

B. The list of 66 hostages the contras have always presented would not be used because of its questionable nature and because the government has it from reliable sources that the list in question includes members within the contra ranks. Furthermore, the release of those hostages would set the stage for a propagandistic display.

Diaz and Ramirez agreed to these points. Then, surprisingly, on Monday, 22 August 1988, Mr Diaz called me at my office to inform me that he would travel to Miami on the following day with Mr Ramirez, a trip they were not willing to postpone a second time because they had already scheduled a meeting with the counterrevolutionary leadership and did not want to make them wait.

Despite the government's opposition to this trip, and the fact that the information regarding the hostages was not ready, Mr Diaz insisted that they would leave on the following day—as in fact they did—receiving funds for fares and travel expenses from sources unknown to my government.

On the following day, when Diaz and Ramirez were already in Miami, we were able to send to them via telefax a list of 90 members of the Armed Forces who had been kidnapped by the contra mercenaries, and through Rafael Solis, secretary of the National Assembly, the government informed them of the following:

A. Comprehensive negotiations must be carried out with the contra leadership regarding all the kidnap victims in their power, including the list of 90 comrades sent by the EPS and the list of more than 900 people given to Diaz and Ramirez by the National Committee for the Promotion and Defense of Human Rights.

B. If the counterrevolution insists on also releasing the 66 people on their own lists, they must do so at the El Espino border post on the Honduran border.

Much to my surprise, Diaz and Ramirez have returned to Nicaragua and have made the following announcements:

A. That they signed a joint communique with the contra leadership, an action for which they had not received authorization by the National Reconciliation Commission.

B. That they are satisfied with the contra leadership's statement that they are holding only the 66 people they have always insisted on. Diaz and Ramirez have thereby agreed to what they were expressly warned not to agree to.

C. That they discussed with the contra leadership a tripartite dialogue between the counterrevolution, the opposition parties, and the Nicaraguan Government, which surprises and outrages me because no one ever authorized them to do this.

In view of Diaz and Ramirez' conduct, which I consider to be far removed from the National Reconciliation Commission's mandate and which constitutes a violation and abuse of the representative powers invested in them, I am—by means of this letter—officially informing Your Eminence that the Nicaraguan Government withdraws the mandate and representation it granted to Diaz and Ramirez for the tasks in question. Henceforth, Diaz and Ramirez must abstain from further communication and contact with mercenary representatives on behalf of the National Reconciliation Commission.

I urge Your Eminence to make this letter available to the members of the National Reconciliation Commission.

With highest regards and respect,

[Signed] Sergio Ramirez Mercado

Panama

Noriega on U.S., Treaty, Opposition, Elections

PA0809050488 Panama City Televisora Nacional in Spanish 0300 GMT 6 Sep 88

["Part 1" of interview with General Manuel Antonio Noriega, commander in chief of the Panama Defense Forces, by Univision correspondent Monica Soani; date and place not given—recorded]

[Text] [Soani] A year has passed since the crisis in Panama began. The days of a prosperous economy are over in this country, which now has become used to struggling for its survival.

The violent demonstrations at the beginning of the year have given way to some hesitant opposition activities. General Noriega has been in the eye of the storm, and he has apparently been able to survive the worst of it.

General, you have been expecting a U.S. invasion for over 1 year. Have you stopped believing such an invasion will take place?

[Noriega] The big, powerful, and arrogant one can do anything. It has all the arms.

[Soani] Politicians in Washington are talking about abolishing the Torrijos-Carter treaties because of what the North Americans think of your position here. What do you think about that?

[Noriega] No one in Latin America believes that. There are stronger positions than mine in this region. There have been positions of a historic nature, more violent positions, in this region. All that the Panamanians are demanding is compliance with the treaties. That U.S. argument is a sophistry that is proving the arrogance of a nation that does not acknowledge a treaty signed by its president.

[Soani] What actions would Panama adopt if the treaties are abrogated?

[Noriega] The actions we can take are those characteristic of small nations. We would have to file the pertinent charges at the pertinent courts.

[Soani] How do you plan to manage the opposition, which is no longer composed of the wealthy, as it was in July of last year?

[Noriega] Perhaps the Anglo-Saxons do not understand this, but we have a saying: No one should meddle in a fight between husband and wife.

[Soani] Has there been any agreement between the opposition and the government?

[Noriega] There have been several meetings between some groups. There has been no agreement, but there have been contacts, and this is the normal path of a civilized people.

[Soani] It has been said that Delvalle has been in contact with you. What have you two old friends and allies discussed?

[Noriega] There has been no contact. There have been talks with friends of his. Those friends of his claim that they speak on his behalf. We are like a cat ready to run to avoid getting wet. We have experienced so much that I listen respectfully to everything but with much caution.

[Soani] The crisis has somehow helped you. You have gone from being a locally known personality to a world-known figure. Now you are a politician, General. Are you thinking of running in the upcoming elections?

[Noriega] Several people have asked me that same question. Those reports were created abroad. They are the result of the huge volume of propaganda—mostly bad propaganda—that has come out about me. They have turned me into a source of curiosity.

[Soani] That is neither yes nor no.

[Noriega] Exactly. Neither yes nor no. Everything has its time. There is a time to be born, a time to grow, a time to produce offspring, and a time to die.

[Soani] What time is it now?

[Noriega] We would have to check on that.

[Soani] You have been accused of almost everything. What do you think about that?

[Noriega] I feel like a child of God, and children of God who are without sin sleep well and walk and breathe easily. Only God can pass judgment on them and eliminate them. That is all.

Denies Shift to Left

PA0809053088 Panama City Televisora Nacional in Spanish 0256 GMT 7 Sep 88

["Part 2" of interview with General Manuel Antonio Noriega, commander in chief of the Panama Defense Forces, by Univision correspondent Monica Soani; date and place not given—recorded]

[Text] [Noriega] What is money? Money and the international monetary system could be considered something artificial from a broad critical perspective, because before the Spaniards came to America, we had an Indian community that used a barter system. There was no balboa or dollar or anything like that. Nevertheless, the Indians had ways of getting fish by exchanging coconuts for them. The customs of Panamanians, therefore, have changed markedly. There have been changes in their domestic life, in their international conduct, and even in their way of living. Therefore, we can see ourselves as a country that is surviving, but that survival has given us a great awareness, a great moral stature, great significance in terms of identifying our friends and our enemies.

[Soani] General, is your country finished as a banking center?

[Noriega] Torrijos asked some historic and basic questions: First, he did not believe in that banking center. He did not believe in it because he used to ask: How much are those banks going to lend to the farmer? Nothing. Those banks are only for the transfer of money from one place to another. How much is the banking center going to lend for local construction? Nothing, because that money is captive and is in multinational corporations. How much will be loaned to the farmer? Nothing. In other words, that dollar was just coming to rest in Panama. If a dollar is not loaned to the farmers, if it is not loaned to the workers, if it is not invested in construction, that dollar does not belong to the Panamanian people.

[Soani] Are you saying that Panama does not need the banking center to survive?

[Noriega] No, I am not saying that. It would be great for all countries to have a banking center, because that gives them prestige, especially Panama, whose geographical position makes a banking community a necessity. However, a banking center of the type that existed here in Panama benefits no one.

[Soani] Some feel that you have made a great shift to the left.

[Noriega] No, this is not a war of the left wing. There has been no left wing here. We have... [changes thought] I am going to copy [Peruvian President] Alan Garcia, who said: Peru is sufficient unto itself, so no one needs to seek a doctrine abroad. Panama is sufficient unto itself for us to be Panamanists, not leftists. Therefore, we are Panamanists.

[Soani] So you do not feel an affinity with the leftist countries?

[Noriega] It is not necessary. The left wing and all the 'isms are totally... [changes thought] They run contrary to logic. When one aligns himself with one position, then one cannot be flexible and one cannot see the truth.

[Soani] And who does Manuel Antonio Noriega admire?

[Noriega] Bolivar.

[Soani] And what politician?

[Noriega] Well, we have... [changes thought] A great deal of politics has been taught by the French. There were great politicians in the time of the French Revolution. However, here in Latin America we also have men who have given lessons in politics. To come closer to home, to speak of this great fatherland of the continent, I would say Juan Domingo Peron.

Ministry on U.S. Embassy Canal Statement

PA0809030188 Panama City Televisora Nacional in Spanish 2348 GMT 7 Sep 88

["Text" of communique issued by the Foreign Ministry in Panama City on 7 September]

[Text] The U.S. Embassy's declaration on the 11th anniversary of the signing of the Torrijos-Carter treaties contains statements that seem to refer to another country, to other treaties, and to other times. The U.S. Congress approved a law that legally sanctioned many violations of the 1967 pacts just 3 days before the Torrijos-Carter treaties went into effect. Additional violations of the treaties have been witnessed every day and every year. These violations have turned the treaties, which were signed in earnest by the United States, into worthless documents whose main provisions are not being fulfilled. In addition to creating the dangerous possibility of hostilities, the United States has flagrantly violated the neutrality treaty by withholding Canal Commission payments owed to the Panamanian Government and by using these funds to hatch plots and to cover the expenses of nonofficial personnel. This shows how little importance the present U.S. Government gives to international treaties.

The United States is shameless in saying that it continues to believe that relations between our two nations will improve once democracy is restored in Panama and in saying that the treaties are symbols of equality and mutual respect. U.S. Government representatives have no authority whatsoever to pass judgdment on the political system of the Republic of Panama. This can be done only by the Panamanian people. Such a statement has no other intention than to promote the false notion that there would be equality and mutual respect if Panama were to stoop and present the kind of docile government these U.S. Government representatives want so they can abolish the treaties and revise them as they please, as U.S. Senate resolutions and Article 1.111 of Law 96-70 of 27 September 1979 stipulate.

The Panamanian Government and the people of Panama have never done anything to weaken their desire to cooperate with the U.S. authorities in matters related to the treaties, especially in matters related to the efficient operation of the Panama Canal.

It was the United States that went so far as to create a situation in which an aggression appears imminent. It has done this after having trampled upon the dignity of Panama and after trying to destroy our economy to the point of negatively affecting services that satisfy the basic needs of hundreds of thousands of Panamanians.

President Jimmy Carter and General Omar Torrijos believed that our countries were capable of achieving a mutually fruitful association based on equality and mutual respect. The current U.S. Administration decided from the very beginning of its term not to adhere to the obligation it had to act fairly. Instead, it gradually replaced mutual respect with unbounded arrogance and endless abuses.

The hardships being endured by the Panamanian people are a permanent and unforgettable record of the kind of reaction the current U.S. Administration received when confronted by the independent and sovereign will of a small nation with little material wealth.

The reestablishment of friendly relations between the two peoples and countries does not depend on false and propagandistic statements made for the purpose of asserting dominance. It depends rather on the willingness of the U.S. Government to show respect for Panama and to comply with the treaties as they were signed, thus

giving up its current plan to impose a submissive government on Panama in order to change the treaties and to get the Panamanians to comply with the U.S. Government's wishes, which would represent a return to the colonial days.

The Republic of Panama is a nation that has decided to enforce respect for its sovereignty, and it will struggle to defend its independence against any aggressor at any cost. The Panamanian people are committed to this struggle and to defense.

There is only one formula for friendship: Hands off Panama!

U.S. Soldiers Arrest Panamanian Citizens

PA0709142388 Panama City CRITICA in Spanish 7 Sep 88 pp 1, 2

[Unattributed article: "Gringo Soldiers Arrest Panamanians Without Justified Cause"]

[Text] Sources of the general command of the Panama Defense Forces Defense and Security Commission have said more than 34 Panamanian citizens, including 18 minors, have been arrested without any justification in the last few weeks by U.S. soldiers.

The detentions are occurring in areas close to the defense sites of Howard, Clayton, and Curundu, and the people arrested have been subjected to strong questioning about the alleged presence of Cubans or intruders in Panama.

That harassment of Panamanian civilians residing mainly in Veracruz and Curundu by U.S. troops stationed in the canal area is another violation of the Torrijos-Carter treaties and is part of the campaign of aggression and intimidation against our country.

It is important to note that most of the people arrested are minors 11-17 years old, who by no means represent a danger to the world's most powerful army.

Following is the list of Panamanians arrested without any legal reasons by U.S. troops stationed in the canal area:

The following people were arrested on 11 July: Tilcio del Carmen Perez, ID No 2-88-1621, detained at the Howard bus stop; Juan Garcia, ID No 10-20-82; and Dionisio Vallarino Morri, no ID, detained in Curundu.

The following people were arrested on 28 July: Luis Esteban Sanguillen, 12 years old, and Francisco Frias, 16 years old, detained near Howard Air Force Base.

The following people were arrested on 2 August: Alcides Camarena, ID No 8-479-939, and Jaime Rivera Olivares, 8-330-254, detained near Howard Air Force Base.

The following person was arrested on 3 August: Eira Sayaquira Camarena, 15 years old, detained at Rodman Naval Base

The following people were arrested on 5 August: Pablo Tunon, 12 years old, and Gilberto Barrera, 11 years old, detained on a road leading to Rodman Naval Base.

The following people were arrested on 8 August: Elvis Perez, ID No 10-19-615, and Daniel Ruiz, ID No 8-240-543, detained near Howard Air Force Base; and Jose Rodriguez, ID No 3-92-857, detained in Curundu.

The following people were arrested on 10 August: Federico Moreno, 17 years old, detained near Howard Air Force Base; Mario Chacon, 13 years old, Cevero Moreno, 14 years old, and Ivan Mauricio Espinoza, 15 years old, detained near Howard Air Force Base; and Mario Alvarado, ID No 8-315-109, and Pelayo Mejia, ID No 8-235-1232, detained on a road near Howard Air Force Base.

The following people were arrested on 11 August: Jose de la Rosa, ID No 8-121-681, Alberto Martinez Fajardo, ID No 8-211-1284, and Basilio Miranda Rodriguez, ID No 9-127-995, detained near Fort Clayton.

The following people were arrested on 12 August: Bienvenido Moreno, 13 years old, detained near Fort Clayton; Alvaro Marin, 13 years old, and Jose Murillo, 16 years old, detained near Howard Air Force Base.

The following people were arrested on 15 August: Roberto Solis, 13 years old, and Luis Gonzalez, 14 years old, detained at the Howard base bus stop.

The following person was arrested on 16 August: Gaspar E. Montilla, ID No 8-736-844, detained at the Howard base bus stop.

The following person was arrested on 18 August: Marta Cruz, ID No 4-195-409, detained near Fort Clayton.

The following person was arrested on 19 August: Alfredo Escoe Gordan, ID No 8-184-1390, detained near Howard Air Force Base.

The following people were arrested on 22 August: Alvaro Marin, 13 years old, Alberto Rios, 14 years old, and Omar Lopez, 11 years old, detained near Howard Air Force Base.

The following people were arrested on 23 August: Norman Murillo, 14 years old, and Jose de Blandon, 13 years old, detained near the Howard motor pool.

Number of arrested people:

18 minors and 16 adults, for a total of 34 people.

Republican 'Source' Says Delvalle May Resign
PA0709164988 Hamburg DPA in Spanish 1545 GMT 7 Sep 88

[Text] Panama City, 7 Sep (DPA)—The Panamanian Republican Party is preparing for Eric Arturo Delvalle to "resign" as president of Panama and of the Republican Party, which he heads, as part of negotiations with Manuel Solis Palma's government.

A Republican Party spokesman, businessman, and personal friend of the former Panamanian president told DPA that "the Republican Party Directorate and Eric Arturo Delvalle have reached an agreement to normalize his situation in Panama."

The same source added that "the resignations will be valid once the Republican Party convention is held for the upcoming 7 May 1989 elections."

The source said the new party's Directorate will conclude the last steps of the negotiations with Manuel Solis Palma's government so Delvalle can abandon his secrecy and resume his business activities.

Eric Arturo Delvalle, who tried to dismiss General Manuel Antonio Noriega, Panama Defense Forces commander, was deposed—although he is recognized as Panamanian president by President Ronald Reagan's administration—on 26 February by the Panamanian Legislative Assembly and was accused of treason to the homeland. Since then, he has sought refuge somewhere in Panama.

Argentina

Alfonsin Meets With Radical, PJ Party Leaders

PY0809022888 Buenos Aires TELAM in Spanish 2035 GMT 7 Sep 88

[Text] Buenos Aires, 7 Sep (TELAM)—Today Justicialist Party [PJ] presidential candidate Carlos Menem categorically ruled out the possibility of any type of destabilizing attempts. Menem, who said that coups d'etat have been definitively banned from Argentina, reported that the issue was addressed during a meeting that he along with Radical Party presidential candidate Eduardo Angeloz, and Antonio Caffiero held with President Raul Alfonsin last night.

Menem, who talked to journalists covering the Congress after a plenary session of the PJ bloc—which agreed on its reunification—said that there is a conflict between the executive and judicial branches. He thus alluded to the fact that militarymen have taken legal action before civil courts, an action that was appealed by President Alfonsin in his capacity as Armed Forces commander in chief.

Menem dismissed political observers' opinions on the allegedly destabilizing attitudes of the PJ, adding that this type of opinion reflects the evil intentions of some people. He reiterated that he is fully convinced of the validity of democracy.

In response to a question, Menem said that the national elections may be held on 14 July 1989. Both he and National Justicialist Council President Antonio Caffiero said that the military situation was analyzed in the meeting with President Alfonsin and Angeloz last night.

Both Caffiero, who left the Congress building before Menem, and the governor of La Rioja ruled out the possibility of events outside the democratic system. Even though they gave no opinions on the current situation within the Armed Forces, they conveyed the opinion of Alfonsin, who believes that solutions can be found in connection with the writs of injunction field by Osvaldo Vercellotti and Jorge de Pasquale, two militarymen who might have links with Aldo Rico.

Among other issues, the PJ leaders informed the bloc members about the details of the meeting with Alfonsin and Angeloz at an unspecified private house last night.

After the bloc's plenum, Menem explained that he and Caffiero were urgently called by Alfonsin to analyze the military situation and the congressional debate on the 1988 national budget, which is being studied by the Chamber of Deputies.

Concerning the budget, Menem said that the situation of the provinces was reviewed at the meeting with the president, adding that he is optimistic the budget will be approved by Congress, although with changes.

Presidential spokesman Jose Ignacio Lopez also confirmed that the meeting was held last night, adding that the leaders discussed the political and economic situation.

When asked who called for the meeting, Lopez—who spoke at Government House—said that it was a consequence of the permanent dialogue that is being held at all levels with political parties, and it was believed it would be advantageous to hold the meeting with these political leaders.

The spokesman, who said he did not know where the meeting was held, reported that the agenda included, political issues, electoral campaigns, the draft laws being debated by Congress—especially the national budget—and the anti- inflationary program.

Asked whether the military situation was on the agenda, Lopez replied that it could have been mentioned although he said that one cannot responsibly speak of a military situation because there is no military problem here.

He added that beyond the legitimate electoral campaign—which is necessary and has enriched democracy—it is essential to maintain a permanent dialogue because of the institutional and political responsibilities of those involved in the campaign.

Lopez said that the president will surely continue to engage in this type of dialogue, adding that this will not be the last meeting, and that there will be others that will be attended by political leaders who are as important as the ones who attended the meeting yesterday.

President of Navarre Arrives, Meets Alfonsin

PY0709111788 Buenos Aires Domestic Service in Spanish 0200 GMT 7 Sep 88

[Text] Today, at mid-morning, President Raul Alfonsin received Gabriel Urralburu Tainta, president of the Navarre Autonomous Region government, with whom he discussed the economic problems affecting Latin America and Argentina.

Urralburu Tainta said that Spain is ready to cooperate with Argentina in its economic recovery, and pointed out that the recent agreement signed with the Spanish Telephone Company must be conducted within the framework of Argentine sovereignty. Urralburu Tainta said that Spain's membership in the EEC has great political importance because Spain will defend Latin American interests. Urralburu Tainta added that Spain's help will be most effective because as of January 1989, Spain will assume the chairmanship of the EEC.

Gabriel Urralburu Tainta was accompanied by Spanish Ambassador to Argentina (Raimundo Basalti Chacas) and Javier Rosas Hado, cabinet adviser to the Navarre Autonomous Region.

Vice President on Situation Within Army

PY0809034188 Buenos Aires TELAM in Spanish 0034 GMT 8 Sep 88

[Excerpt] Buenos Aires, 7 Sep (TELAM)—Discussing the situation within the Army as a result of the appeals filed with the civil courts by Army officers who were placed on availability status, Argentine Vice President Victor Martinez said the government has no fears but is always concerned.

Speaking to journalists at Ezeiza International Airport shortly before leaving for Greece on an official visit, Martinez said: I am not leaving with misgivings. We are observing the situation within the Army with concern because there are some military decisions which can be translated into administrative decisions.

In this regard, the vice president pointed out that the ruling recently handed down by a civil judge upsets the balance of the administrative proceedings being implemented. [passage omitted]

Brazil

New Nuclear Head on Increased Uranium Production

PY0809025888 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Sep 88 p 29

[Text] Rio—At the time of assuming his position as chairman of the Brazilian Nuclear Industries, IBN, which replaces Nuclebras, geologist John Forman announced yesterday that IBN's most immediate objective is to build, jointly with the private sector, two more plants for the production of concentrated uranium (yellow cake) [preceding two words in English]. One will be built at Lagoa Real (Bahia State), and the other at Itataia (Ceara State), where there are uranium reserves estimated at 150,000 tons. The only plant currently operating is the one at Pocos de Caldas (Minas Gerais State), where the uranium reserves amount to 20,000 tons.

The Pocos de Caldas plant, which has an operational capacity of 500 tons per year, is currently idle because the Angra I plant is not operating, and there is no other use for the concentrated uranium. Forman said, however, that IBN will begin to export concentrated uranium to allow the Pocos de Caldas plant to operate at full capacity and eliminate its losses.

According to Forman, the yellow cake market comprises European and Asian countries that do not have uranium reserves.

Brazil will be able to absorb all of its yellow cake production domestically only when the Angra II and III plants go into operation. According to Furnas Co. Chairman Camilo Pena, this will not happen for 6 or 7 years.

Chile

Merino Says No Front Responsible for Vandalism

PY0709140888 Santiago Domestic Service in Spanish 1030 GMT 7 Sep 88

[Text] Admiral Jose Toribio Merino said the destruction, robbery, and looting perpetrated by the humanoids last Sunday after the opposition rally shows what the supporters of the No-vote are offering the country.

Merino made this statement after presiding over a Government Junta meeting at the Diego Portales building. Merino added these acts should make those who want to live in a progressive country ponder.

[Begin Merino recording] The opposition rally on 4 September or rather the excesses and damage to private and public property was caused by the gangs of humanoids that broke loose along Vicuna Mackenna Avenue and in the Plaza Italia. They destroyed and looted everything they found in their path. These are the people that represent the No-vote.

Those who support the front for the No-vote now know what the future will bring. This is not new. They did the same when we announced the candidate for the plebiscite, and it has happened after every peaceful demonstration staged by the opposition. On every occasion these same humanoids vandalized streets, shops, and private and public property in their path. Therefore, those who do not want to live under these conditions, those who have not forgotten that masked individuals are lying in wait for Carabineros, those people now know how they must vote. [end recording]

Asked about the electoral propaganda on television that began on 5 September, Merino said that he has not seen the programs because he has been working.

Anselmo Sule To Announce Presidential Candidacy

FL0709211988 Mexico City NOTIMEX in Spanish 2005 GMT 7 Sep 88

[Excerpt] Mexico City, 7 Sep (NOTIMEX)—Anselmo Sule, representative of Chile's Democratic Radical Party, will soon travel to his country to announce his candidacy for president of Chile. Current Chief of State Augusto Pinochet Ugarte is the only candidate to continue occupying the highest position in Chile, one which he has held for 15 years.

This was reported today to Mexican daily ULTIMAS NOTICIAS DE EXCELSIOR by a close collaborator of Sule who arrived today in Mexico City from Europe.

Anselmo Sule, who has been in exile in Mexico for 15 years—after Pinochet overthrew the government of President Salvador Allende on 11 September 1973—will return to his country and run against the dictator during the 5 July elections next year. [passage omitted]

Politician Calls End of Exile 'Formality'

PY0709133588 Madrid EFE in Spanish
0123 GMT 7 Sep 88

[Text] Montevideo, 6 Sep (EFE)—Today politician Juan de Dios Parra Sepulveda, the executive secretary of the Latin American Human Rights Association [Asociacion Latinoamericana de Derechos Humanos] (ALDHU), said in Montevideo that the lifting of exile "is just a formality." Today Parra Sepulveda left Montevideo for Chile after living 4 years in exile.

Parra Sepulveda made these remarks during a news conference before boarding a plane bound for Santiago. He explained that a given number of Chileans, nearly 300 who were banned from entering Chile, are now being allowed to return.

The United Left [as received] politician said that "There are more than a million" Chileans around the world who cannot return and according to the available figures, "There are 6,000 Chileans in Uruguay alone, of whom 600 are political exiles."

Parra Sepulveda explained that the most significant number of exiles includes "Chileans who choose to leave the country because it is impossible to make an honest living."

Parra Sepulveda emphasized that the opening measures of the Chilean Government "are the result of international pressure and of the Chilean people's coordination and broad mobilization." He noted, however, that the regime's effort to present "an image of normalcy" before the plebiscite is more superficial than real.

According to the opposition politician, it is not correct to say that "the exile has been ended" because the Chileans leave their country "because of the repression, threats, intimidation, and dramatic unemployment" and these issues "have not yet ended."

PCCh Creates New Terrorist Organization

PY0709125688 Santiago EL MERCURIO in Spanish
29 Aug 88 pp A-1, 12

[Text] Fernando Paredes Pizarro, the director general of the Investigative Police, in a document entitled "Current Situation and Terrorist Outlook," has revealed that the PCCh has created a so-called "Military Front," comprised of 30 percent of the Manuel Rodriguez Patriotic Front [FPMR] dissidents. Part of the document discusses the FPMR's short-term plans.

The police chief stated that this military front "will intensify its actions before and after the plebiscite."

He added that joint actions between the FPMR and the MIR [Movement of the Revolutionary Left] could take place. If this is to happen, however, they must first solve their doctrinal and hegemonic differences.

General Paredes Pizarro reached these conclusions in a personal assessment of the matter.

In a dialogue with this newspaper, Gen Paredes gave further details on the results of his analysis and answered several questions on the matter.

He said that today the FPMR "is not receiving direct resources from the PCCh."

When pressed further on this matter, he said: "Undoubtedly the experience and a thorough analysis of events that took place over the past few months show that the PCCh is not directly providing economic resources, and, therefore, we have had recent robberies which they (the extremists) call 'expropriations' of funds."

He added that to carry out their terrorist plans, the Chilean subversives will have considerable financial support mainly from the Soviet Union and Cuba. He added that "Money earmarked for Chilean opposition leaders, sent by democratic countries, can be passed on to these extremists."

Paredes added that, in his opinion, there is a good chance that Chilean subversive groups will receive aid from "The extremist organizations that operate at an American level, such as the so-called Battalion of the Americas, the Revolutionary Board of the South, and the Coordination Committee."

These organizations are made up of the following terrorist groups: the Shining Path, Tupac Amaru, the M-19, the FMLN, and the FARC, in addition to the Chilean MIR and FPMR.

He did not discard that selective attacks and kidnappings would be included in the new terrorist plans. When he was told that FPMR actions have decreased considerably over the past 8 weeks, Gen Paredes explained: "Precisely, the so-called 'operation tranquillity' could be under way, so that certain leftist political organizations can be said to be an almost democratic alternative for the country."

Gen Paredes went on to say that "The position adopted by the PCCh is in compliance with the perestroyka and glasnost policies implemented by Mikhail Gorbachev."

Gen Paredes added: "Regardless of the apparent changes implemented domestically in the Soviet Union, changes which somehow should be reflected in the tactical and strategic actions of the PCCh, the Soviet Union will continue supporting terrorist groups operating throughout the world, and especially those in the so-called Third World."

He added that "the PCCh is trying to portray a different image through a sort of a 'creole glasnost,' which is not true because there is no such a thing. What they are doing is gaining time."

PCCh Created Military Front [subhead]

Gen Paredes also said that the Lautaro Youth Front, the FPMR's militias and the Miguel Enriquez Rebel Youth, "which have received the support of the PCCh," will intensify the activites of their respective fronts, "especially at the universities and in urban areas in order to promote the struggle of the masses, taking into account that the plebiscite, regardless of the results, can give them a chance to foster an uprising with the objective of ousting the government."

Paredes added that despite its claim, the PCCh "has not abandoned the armed struggle against the government and after the conflict with the FPMR, the PCCh managed to create its own 'military front' with approximately 30 percent of the FPMR dissidents."

He said that "The PCCh has shown its 'political face' and has intensified the class struggle or 'policy of people's rebellion,' seeking to create disorder and confusion to make the government adopt measures during the plebiscite. This will make it possible for the party to discredit, invalidate and internationally criticize the plebiscite."

Finally Paredes said that in his opinion, "Upon learning its defeat and the victory of the Yes-vote, the PCCh will resort to all types of terrorist activities: power cuts; disorders; attacks against selected targets, people and institutions (public or private) in order to force an uprising to denounce the 'fraud.'"

Police Injure 4 Peaceful Demonstrators
PY0709222788 Madrid EFE in Spanish
2132 GMT 7 Sep 88

[Text] Santiago, 7 Sep (EFE)—At least 4 people were injured and 18 arrested today when Carabineros violently repressed a demonstration by approxiately 200 members of the Sebastian Acevedo Movement Against Torture.

The Sebastian Acevedo Movement, which is known for its peaceful Gandhi and Martin Luther King resistance styles, is made up of priests, nuns, and laymen. The movement has the name of a worker who set himself afire in a park in Concepcion to pressure the secret police who had kidnapped one of his sons.

Today's demonstration, which was held in front of the national library in downtown Santiago, was aimed at denouncing the actions of some government people who through the media are justifying human rights violations.

A few minutes after the demonstration began, Carabineros used water cannons and tear gas against the demonstrators, and hit some of them with truncheons.

Leaders of the movement reported that 18 people were arrested and 4 were injured.

The injured persons were identified as Olivia Carreno, Mario Mejias, Humberto Diaz, and Paula Santoro. They were taken to the Santiago first aid hospital.

Peru

Economy Minister Announces New Economic Plans
PY0709162188 Lima Television Peruana in Spanish
0404 GMT 7 Sep 88

[Address to the nation by Economy and Finance Minister Abel Salinas Izaguirre from Lima—live]

[Text] Fellow countrymen, I have accepted this new responsibility because I am sure that, although the current situation is difficult, with energy and positive decisions it can be corrected.

I believe that the faster the problems are solved, the better it will be for the majority of Peruvians. I am now addressing that majority of workers, peasants, and unemployed workers, to tell you that I need your help, understanding, and sacrifice.

Nobody likes to implement measures that will increase the dollar exchange rate, gasoline prices, and prices in general, but, if it must be done, let us do it. We trust that the people know that this is their government and that today's hard measures will bring stability and security to the salary of the poorest.

My first duty is to tell the truth. We are living through a very difficult situation. It is even more serious in the face of the prevailing uncertainty and worry. The worst thing is that the people do not know what is going to happen. We are facing many difficulties. There is an excess of liquidity in the economy without a real increase in production.

Prices increase because many people want to earn excessive profits from their products and they are afraid of the future. Prices must be controlled, but prices also increase because there is an excess of money circulating, relative to the current level of production.

If measures are not immediately adopted, inflation or the price increases will be much greater next year. Nothing is more harmful for a wage earning people than a long period of inflation.

Inflation increases the value of houses, machines, and gold, but it also causes fixed salaries to loose their purchasing power in spite of adjustments. It is extremely

necessary for the people that the price increase spiral be controlled and that inflation be stopped. Only the rich make profits from inflation. The lower the inflation, the better for the people.

I am addressing the country to explain the new anti-inflationary plan we are implementing as of today. The current situation is extremely serious. The inflationary trend and the drop in reserves are the most serious points along with shortages and speculation.

The drop in reserves continues to be a problem despite the measures adopted at the begining of the year. It is true that the loss of $100 million per month during the last few months of 1987 has been considerably controlled thanks to measures implemented by the Central Bank.

It is essential to quickly put an end to this loss of reserves and to begin a recovery of hard currency for Peru.

There is great uncertainty among many economic agents. This is due in great part to the growing disorder that has affected the national economy. As I have said, I am accepting this responsibility because I am sure that, despite everything, this situation is solvable. It would not be honest to deny its seriousness, but equally it would be dishonest to exaggerate it.

In order to face the situation, the government is willing to put into practice a number of hard and austere measures which we are sure will mark the beginning of a period of order, stability, and confidence among all the economic agents, as a basic condition to recover better growth levels for our future.

I came here tonight to announce the implementation of what we have called the anti-inflationary plan, the first stage of which will last 120 days.

In this plan, we propose three short-term objectives: 1) To stop the process of inflation and recession; 2) To prevent Peru from losing futher currency; and 3) To create stability and confidence to allow the economic factors to function normally.

For 120 days we will concentrate fully on fulfilling these objectives.

It is the government's purpose, as well as my own, to come to agreements with national institutions and social forces over future economic policies. However, we believe that it is the government's responsibility to first make the decision of implementing a plan like the one we are announcing today.

I am now announcing that we will invite all the economic sectors to prepare the next phases of the program. Today I will not make a general diagnosis of the economic situation, or of the development of the country during this administration. The time is not right.

However, I must tell the citizenry that after 2 and ½ years of sustained growth, consumption, and private investment, I must now acknowledge that we have not managed to accompany that growth and investment with the necessary and indispensable growth in our exporting capacity. This has been the weak part of our economic development and now it not only hinders our growth but may cause an economic recession of between 3 and 4 percent during 1988.

Without a doubt, if our exports drop we will not be able to increase our GDP to the required 6 to 7 percent levels, or to the levels of private consumption and investment. This imbalance is the main cause of our current difficulties.

We must frankly tell the country that we will have to make a great sacrifice and that we must implement austere measures for some time until we can substantially increase our exports and obtain a renewed inflow of currency which will allow us to recover acceptable levels of growth.

Since the beginning of the year we have tried to recover the real value of the exchange rate and to promote traditional and nontraditional exports. However, this effort will not yield instant results. We must persevere and adopt measures to promote exports and seek national or foreign investment for exports in order to improve, with great effort, our foreign currency situation in 1989.

Since the country has adopted an independent attitude toward the international community, its growth can only be stable if sustained by its own export capability. However, such independent conduct must not be an obstacle to undertaking actions designed to identify and increase our relations with international organizations and with many other countries. Therefore, I hereby announce that we will work persistently to obtain the support of such institutions as the World Bank, the IDB, and the Andean Reserve Fund, and to increase the support being received from West European countries, Canada, and other industrialized nations. Equally we will seek the cooperation of foreign capital. An independent attitude is not at all contradictory with recognizing the importance of foreign investment, especially of risk capital invested in the export of raw materials, mining, oil, and fishing. This will be the guideline for my efforts as economy and finance minister.

To compound the imbalance on the external front, a number of dangerous gaps have appeared in the economy: The gap between the import and export exchange rate, the fiscal gap, the imbalance in the monetary market, and the instability of the foreign exchange market. All of this has led us to an inflationary process that cannot be brought under control with feeble and gradual measures. Gradualism and price indexation in the economy can dangerously generate a phenomenon of hyperinflation and then recession.

While the development of our export capacity and foreign investments is stimulated, the country will have to undertake an austerity effort to reduce consumption and domestic investments. Simultaneously, we will resolve the inflation problem in a few months if we tackle it with the determination necessary to defeat that terrible scourge, and to stabilize the economy, thus eliminating the gaps and imbalances within a relatively short period of time. This is our short-term objective.

The plan which we are implementing today consists of two essential parts: The first one is a group of measures aimed at closing the fiscal and exchange gaps to allow the Central Bank to reduce drastically the amount of money it is printing. We must also succeed in balancing the exchange rate so as to prevent the plan from harming the permanent objective of our economy, which is to recover our former levels of exports and allow the country to grow.

We all realize that these measures require a huge devaluation of the inti; a substantial increase in fiscal revenue; the elimination of most subsidies and tax exemption; and a reduction in consumption in an attempt to protect, as much as possible, the sectors of society that have lower income.

During the first part of the plan, these measures will call for, in the next few days, the readjustment of the production costs so as to establish real prices in most sectors of our economy.

The second part of the plan consists of a 120-day freeze of all production cost variables, and consequently, of all prices, except the prices of the perishable goods, which are governed by supply and demand.

Within the framework of the corrections we are implementing today, the type of exchange, the public service utility rates, the tariffs, the taxes, and the salaries will be frozen for the next 120 days.

As you can see, as a result of the measures I have just pointed out, inflationary credit will not be made available to the public treasury, there will be no more exchange deficit, and all production costs will be frozen. Thus, if we keep up the social responsibility, if we receive the support of the businessmen and of all price forming agents, there is no reason whatsoever to increase prices. However, there will be sufficient actions to defeat inflation.

We can hope, then, for a substantial drop in inflation, especially in the month of November; that is, 90 days after the implementation of this plan.

This drop in exchange gaps, and the later freezing of all variables, will surely be a good method, with great chances of success, to fight and win the battle against recessionary inflation.

Many will ask why we are doing all this in such a radical and simultaneous manner. The answer is that if we do not put all production cost variables in order, we could run the risk of establishing a dispute over prices among all economic agents: the state, bankers, businessmen, and workers, giving room to the well-known cycle that feeds back recessionary inflation.

Now I want to explain the economic measures included in the plan, in the two aforementioned stages:

Let us first review the measures just adopted to reduce the gaps and reestablish the main balancing factors before establishing the freeze. I will explain these measures to each of the economic sectors.

First, a decision has been made to increase the exchange rate by a sufficiently large margin. This will allow exporters to operate over a 90-day period at real rates, without being affected by currency deficits, taking into account that the exchange rate for the export sector will be frozen over a 120-day period. This is why as of today the exchange rate for exporters has been increased to 250 intis per U.S. dollar.

We must keep in mind that the aforementioned exchange rate adjusted for August inflation will give exporters an exchange rate of 160 intis per dollar in September. Therefore, in September, this exchange rate of 160 intis per dollar will be above the multilateral technical parity that would be pegged at 135 intis to the dollar. This means that with the new exchange rate of 250 intis per dollar established today, this exchange rate will be ahead of the inflation adjusted parity in September by 90 intis; that is, 250 intis minus 160 intis will give us 90 intis per dollar.

Second, we want to drastically simplify the management of the exchange rate system by unifying the import and export exchange rates at 250 intis per dollar. As we will see, in November and December the enforcement of this single exchange rate will be coupled with the adoption of real interest rates. With such conditions, we hope that the gap between the exchange rate on the black market and the exporters' rate will be much easier to manage than in previous months.

With these measures, the exchange rate system will be totally simplified. I ask you to forgive me please for reiterating this, but I want to point out that as of tomorrow, we will have a 250-inti exchange rate for exports and for imports, along with the exchange rate on the black market.

I am also announcing that the Central Bank has also decided to reopen the money exchanges. We hope that with this measure most of the transactions of this demand- and-supply market will be gradually transferred from the streets to a more natural location: the money exchanges or the banking system. We are sure that as the

interest rates become more realistic and confidence returns, the dollar exchange rates in this regular system will increasingly approach the unitary rate.

These measures are also issued to try to eliminate distortions in the prices of raw materials and their effect on the final product. This will help fight contraband. In sum, the measures on exchange rates have been arranged so as not to cause difficulties when freezing the rates of imports for 120 days, in order to eliminate the exchange deficit accumulated during these months due to the Central Bank's inflationary issuance of money, and to simplify the exchange rates to avoid distortions in relative prices.

Banks will continue to attend to free market exchange rates for tourists, as well as for transportation fares, other complementary services, capital goods, and nonessential consumer goods.

The process of adjustments for inflation is suspended until 1 December 1988. This suspension is temporary and is implemented to guarantee exporters that delays will not hurt their profit margins, thus making their products more competitive in international markets.

The fight against inflation should not make us forget our main target of promoting the country's exports. The exchange rate will be adjusted regularly again as of 1 December in accordance with the previous month's inflation rate. We hope the control of inflation will make this measure unnecessary. Exporters should be convinced, though, that distortions will be corrected. This was the Central Bank criteria when drafting the plan. In the next few days the Central Bank president will explain with more details the way this plan of simplified exchange rate works. The Central Bank has decided not to authorize the import of nonessential consumer goods for 120 days to shore up its struggle to maintain and increase our reserves.

I am also announcing that during the 120-day freeze on import exchange rates, the Central Bank will not charge taxes on paralled market rates.

Let us now consider our fiscal policy. Concerning fiscal policy, a decision has been made to take a number of measures whose basic goal is to drastically reduce the fiscal deficit. Therefore, we have decided to suspend the tax exemptions system, except for the jungle and border areas. We are aware that this is a drastic measure, but under the current conditions it is absolutely necessary to increase fiscal revenues. Over a 120-day period, the fiscal revenue system for 1989 will be studied and agreed upon with the interested sectors. A selective 10-percent excise tax on interest charged to borrowers, except for housing and livestock and agricultural credits, is also being levied. The time in which to pay the general sales tax and the selective excise tax is reduced from 21 to 7 days. Sales taxes will be increased from 30 to 40 percent. A 4-percent temporary tax on the value of traditional and non-traditional exports will be levied during the September-December 1988 period.

The government has decided on an important increase in the price of gasoline. A gallon of gasoline currently cost the equivalent of 40 cents. In 1985, a minimum salary of 360 intis was good for the purchase of 30 gallons of gasoline at a rate of 12 intis per gallon. Today, a minimum salary of 6,000 intis is good for the purchase of 100 gallons of gasoline at a rate of 60 intis per gallon. This is not good because the poorest sectors do not purchase gasoline. Therefore, millions of Peruvians are subsidizing some hundreds of people who own private cars. As of today the price of gasoline will be 250 intis per gallon, this for regular gasoline. Premium gasoline will cost 320 intis.

This will mean that PETROPERU [State Petroleum Agency] will be able to renew prospecting and the state will stop subsidizing cheap gasoline. We trust that local municipal authorities, in charge of determining public transportation fares, can sit with bus owners and drivers to agree on appropriate fares, within the possibilities of the new minimum salary.

Another problem is fiscal expenditures. The government has decided to drastically reduce state spendings by cutting down on the number of embassies and consulates, official positions in foreign countries, and by reducing all trips of people negotiating foreign credits. The government has decreed the discontinuance of all designations and contracts, and the sale of all assets and cars belonging to public enterprises which do not perform an essential service.

The third tool the government will use against inflation is to implement a realistic interest rate. Companies and savers were not depositing their savings in banks because of the low interest rates banks were paying. They preferred to purchase dollars in the Ocana District, or borrow from the so called parallel banking system at a much higher interest rate.

The government is confident that once the fiscal deficit is fully under control and the exchange parity is closed, it will be able to drastically and progressively curb inflation.

This means that the current interest rate set by the Central Bank will soon fulfill its commitment of supplying resources to banks. I must also tell the country that the new measures will prompt the demand of dollars for imports to drop, exports will be promoted, and, consequently, our reserves will increase, that is, the Central Bank's dollar reserves. This will give confidence to the economic agents.

Nothing causes more distress and uncertainty among the people than witnessing how the Central Bank dollar reserves drop day by day. With this program, in a few

months Peru will no longer loose its reserves. On the contrary, after the readjustment phase, Peru will earn more funds with which to initiate a reasonable economic reactivation.

I want the businessmen and economic agents to see in our decision to increase our reserves a sign of stability and confidence that will allow the normal development of the economy.

Now I want the whole country to reflect on a subject: How must the anti-inflationary plan be implemented? How will the measures benefit the people?

We do not want to harm the majority of the people, the wage earners, or those who live off of a minimum legal income because this is a government for the poor. Those of us who have more than what is necessary can protect ourselves, but those who earn very little or nothing must be protected by the entire community.

When we speak of an anti-inflationary policy we all want the inflation to drop to zero, the fiscal deficit to drop to zero, the cessation of currency issuance, and the increase of our dollar reserves. Therefore, our challenge is to adopt all these measures and to do it quickly.

This is technically good, but it is socially harmful. We discussed it at the government level. It would be more convenient for the government to make all the decisions at once, but to give you an example: If we increase the dollar exchange rate, the price of gasoline, bank interests, the price of sugar and rice could increase three or four times as a result. Of course, 2 months after such a measure was adopted, inflation would be zero and there would be no need for subsidies.

Everybody says that this is the surest way to defeat inflation, by implementing big increases in a single day, but to do this, as technically advised, would be unacceptable and unbearable.

When we decided to implement the measures gradually, first by controlling most of the imbalances and by closing the exchange parity gaps, and afterward by waiting to implement the rest of the measures, a lot of people told us that this is not the way to solve the problems.

We believe it is possible if the businessmen and the analysts understand that this is a firm government decision to control the deficit and to close the exchange parity gap. But the government wishes to do so without increasing the prices drastically in 1 day.

The measures announced today are meant to close the fiscal and the exchange parity gaps to a large extent.

These measures are designed to increase all prices. The whole nation understands that these increases are necessary and has been expecting them. For instance, the price of rice will increase from 25 intis to 60 intis; bread, from 1.4 to 3.8 intis; oil, from 60 to 131; milk, from 9 to 18 intis. These increases are dramatic and sharp, but they are meant to close just some of the gaps in our overall deficit. It would be much more dramatic if we tried to tightly close those gaps by increasing the dollar rate, the interest rate, and the price of gasoline—all at the same time.

With determination and responsibility, I have taken over this Ministry with the objective of closing all gaps in the next few months so that we can begin the second stage of this plan next year, without having to resort to inflationary printing of money, fiscal deficit, and exchange parity gaps. Only in this way will 1989 be a year of economic reactivation without inflation. The price increases now made are all that will be made. There is no alternative, either they are increased orderly at this time, or there will be, as happened in recent days, a serious supply shortage. Either prices are increased in an orderly fashion or they will fall prey to speculation which is increasing haphazardly every day.

The government's concern is addressed to the essential products. Of course, their prices will increase sharply, but the government will also see to it that the legal minimum salary will protect the buying power of the most needy. Therefore, following the increases in the cost of the dollar and of gasoline, a 150 percent increase is hereby granted on the minimum legal salary. Nearly 2 million Peruvians will thereby have their salary increased from 6,020 to 15,000 intis. A special one-time bonus totaling 3,000 intis will also be granted. The 9,000 intis increase will be awarded to all workers and those who are union members will get it as an advance on readjustments they are negotiating. I also want to announce that to protect the income of poor sectors, an emergency plan to create 200,000 jobs will be implemented through the program to support temporary jobs [programa de apoyo al ingreso temporal]: 100,000 jobs in Lima and 100,000 jobs in other parts of the country.

I want to stress that the government will, at all cost, wipe out inflation and fiscal deficit. However, it will do so without neglecting the poor, and making sure that the legal minimum salary can cover their needs. At this point, I must emphasize that all prices of basic products will be frozen following the increases now authorized. As for the nonregulated prices, businessmen will have to announce their markups in the next 10 working days.

I should also point out that with the adjustment of the exchange parity and fiscal gaps, the relative decrease in consumption —having frozen for 120 days the basic prices, the exchange rate, fuel price, public utility rates, taxes, and minimum salary—is no reason to violate the new prices after such adjustments. If profit margins are held down, inflation can very well be defeated. This depends on the way all Peruvians, especially the businessmen, act.

The government assumes responsibility for the adjustments, but it will be strict in controlling prices and eliminating speculation and hoarding.

The efforts made by all must not be undermined by a few. Most responsible people, management and businessmen, will join us, as they have done so far, in this endeavor. I am sure of this.

I have confidence that my people will support the government at this time which calls for austerity and discipline. Thank you very much.

Alleged Shining Path Activity Reported

PY0709132288 Madrid EFE in Spanish 0151 GMT 7 Sep 88

[Text] Lima, 6 Sep (EFE)—Today it was reported in Lima that in the past 48 hours five people have died, one has disappeared, and two have been injured during terrorist attacks in townships in Ayacucho and Ancash Departments.

Alleged members of the Maoist Shining Path group killed the Huarcatan governor—his name was not revealed—his wife and his two children in a village of Huanta Province, Ayacucho Department.

According to the correspondent of Radioprogram in Ayacucho, the capital of the department, located 575 km southeast of Lima, the terrorists raided the governor's house on 4 September and shot the inhabitants.

The radio station also reported that on 5 September, a vehicle was blown up on the access road to the village of San Nicolas, 10 km from Huaraz, the capital of the northern Ancash Department, killing the driver and injuring two people.

The source said that the road was mined by a Shining Path column shortly before an attack against the building of the Peasant Mother's Association. During the attack, the president of the association disappeared and her whereabouts remain unknown.

Suriname

President Inaugurates Officers Training School

FL0609193488 Paramaribo International Service in English 1730 GMT 6 Sep 88

[Text] President Ramsewak Shankar has yesterday opened an officer's (?training school) for the military police. The officer's training school is situated in Fort Zeelandia and will start with the training of 23 students. The students will for 1 year undergo training to become officers.

At the opening of the school, President Shankar and Commander of the Army Desi Bouterse gave (?a speech here).

Chief of staff of the National Army Ivan Graanoogst declared to the daily DE WARE TIJD that these students are already on the job and that is why the [words indistinct].

According to Graanoogst, the Army has the [words indistinct]. The Army also plans for the establishment of a completely new (?academy).

The vice president of Suriname, Henk Arron; the minister of defense, Ahmed Sheikkariem; and the military attaches of Venezuela, Brazil, and the United States of America were also present at the opening ceremony.

Shanker on Army Role

FL0609201888 Paramaribo International Service in English 1730 GMT 6 Sep 88

[Text] President Ramsewak Shankar has stated that everybody has to realize that the Army is a factor which cannot be (?thought) away. The head of state, as commander in chief of the Army, made a statement yesterday at the opening of the Surinamese school for military officers.

The president said the Army has to be aware of the fact that society is keeping a very close eye on actions of the Armed Forces. He said the Army should therefore work toward a good relationship with the public.

The commander in chief was of the opinion that training has a prominent place in this framework and that, therefore, much is expected of the new school for officers.

Bouterse on Terrorism

FL0609200588 Paramaribo International Service in English 1730 GMT 6 Sep 88

[Text] The National Army wants the problem of terrorism in Suriname to be tackled by means of a multidisciplinary approach.

At the opening of the military officers' school yesterday, Army Commander Bouterse said the Army's view was made known in a note which was sent to the government. Bouterse said only a combination of political, juridical, social, economic, and military measures can bring an end to terrorism. He stressed the fact that the Army wants peace, security, and development, but that foreign countries have tried to prove otherwise in the past.

Bouterse said that many Surinamese now begin to understand that those stories were not true and this has resulted in the silencing of the criticism of the Army.

The Army commander repeated his statement that the Army is the supporter of peace and it wants to cooperate in the repatriation of the estimated 10,000 refugees in French Guiana.

Union To Protest Black Market, Inflation

FL0609203388 Paramaribo International Service in English 1730 GMT 6 Sep 88

[Text] The trade union De Moederbond will organize a short work stoppage and a march through the streets of Paramaribo tomorrow as a protest against the black market trade, inflation of prices, and corruption.

In a statement issued yesterday after a meeting of the board, the union said that the meeting [as heard] conditions of the working class are becoming more and more unbearable due to the prices of the black marketeers.

The Moederbond said the black marketeers are guilty of inflation of prices and corruption. The trade union further said it has on several occasions criticized these malpractices, however without any result. That's why the work stoppage and the march will be held tomorrow.

Board members and shop stewards of member unions will also take part in the march and the petition will be presented to the president and the chairman of the National Assembly.

It's worth mentioning that the trade union, De Moederbond, is part of the present government coalition and that the minister of labor is representing the union in the government.

Opposition Motion on Netherlands Aid Defeated

FL0609191688 Paramaribo International Service in English 1730 GMT 6 Sep 88

[Excerpt] An opposition motion in the National Assembly was yesterday defeated by a 28-vote majority.

Six members of the Assembly voted in favor of the motion which wanted the government to soon reopen negotiations with Holland for the development cooperation. The motion, which was submitted by the opposition party, NDP, National Democratic Party, and the PALU [Progressive Workers' and Farm Laborers' Union], says the agreement of July this year is not in the interests of Suriname as compared to the 1975 treaty.

Assembly Chairman Jaggernath Lachmon [words indistinct] said the motion was out of order. [passage omitted including indistinct portions]

Cooperation Protocol Signed With Belgium

FL0209184088 Paramaribo International Service in English 1730 GMT 2 Sep 88

[Text] Belgium will send experts to Suriname in the fields of public health, mining, and agriculture. This is included in the protocol which was signed between Suriname and Belgium. The document was signed following negotiations opened last week Friday with the Belgian minister of development and cooperation.

The Belgian minister's team and the Surinamese Foreign Minister Eddy Sedoc have agreed to realize a project and input program at the end of next year. The program will consist of courses, training, and the dispatching of Belgian experts to Suriname.

The means for the execution of the program will be taken from the remainder of a relief package from Belgium. The remainder amounts to almost 3 million Surinamese guilders. In the second half of next year the Suriname-Belgium commission will hold tasks on a program for a period after 1989.

Suriname and Belgium established diplomatic relations in 1976.